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STATISTICAL BULLETIN

Volume 18, No. 10, October, 1985

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The Conference Board

THE CONFERENCE BOARD'S STATISTICAL BULLETIN COMMENTARY

* CAR SALES SET RECORD PACE
* CONSTRUCTION BOOMS
* IMPORTING CONTINUES TO SLOW
* DOLLAR FALLS. POLICY TURNS MORE PRAGMATIC
* INDUSTRIAL PRODUCTION GROWTH STALLS
* NOTABLE INCREASES IN LABOR COSTS
* OUTLOOK * SECOND HALF GROWTH PEGGED AT 2 1/2% TO 3%

OVERVIEW: Recent reports support the notion that the third quarter has been much stronger than the first half of this year. Car sales have boomed. Elsewhere, consumers have maintained a reasonably moderate spending pace. Construction activity has stepped up dramatically. Employment gains have been better than anticipated. Real wage gains have improved. Meanwhile, imports continue to slow. Fast money growth, together with dollar depreciation, add support to a more upbeat pace of activity.

A number of concerns remain on the economic horizon. The saving rate has fallen from already low levels. There is no sign that the profit squeeze has ended. In fact, wage costs rose substantially in September, while prices fell. Taking all the recent numbers together, the **Economic Forecasts** continue to indicate that real output growth will be 2½% to 3% for the second half of 1985. The pace may quicken in 1986.

Employment gains exceeded most expectations in September. The data seemed to suggest that some out-of-work teens, and a few adults as well, did not look for work this Summer. Since the data are adjusted for students returning to school in September, the adjustment process was expected to result in a higher unemployment rate—perhaps right back to the 7.3% rate that prevailed for 6 months prior to August. Job growth, however, held the rise to 7.1 percent.

Strong gains in **construction jobs** offset declines in mining and manufacturing. Employment in goods production, then, increased narrowly in September—as it had in the prior two months. But job gains continue to be concentrated in trade, finance and other services. The lackluster pace in transportation and utilities is the only significant exception to that trend.

Job gains and a **longer workweek** resulted in a 0.4% rise in the total nonagricultural hours worked in September, despite a 0.3% drop in manufacturing sectors—including transportation and utilities. For the 3-month period, the rise in hours was 2.6%, annual rate. Unless productivity fell dramatically, the **Economic Forecasts** appear to be on target for the third quarter.

The downside is that labor market conditions might not brighten that much in the fourth quarter. Labor demand doesn't seem to be picking up. The Conference Board's **Help-wanted Index**, a measure of demand, has continued to move in a rather narrow range. Want-ad volume was no higher in August than it was 3 months earlier. Earlier returns to the September survey show no deviation from this trend. So while the labor market has perked up a little, expectations remain muted.

Worker's earnings improved in September. **Hourly earnings**, deflated, increased by about 0.3%, after remaining virtually unchanged through the first 8 months of this year. With the workweek slightly longer, average weekly earnings, deflated, increased by a sizable 0.6% last month. Gains were particularly strong in construction and in financial and business services—sectors posting gains in employment. The added income is a plus for consumer demand. Producers, however, can ill afford higher labor costs.

Retail sales have strengthened sharply. Sales, deflated, were almost 4% higher in September than only 2 months earlier. Obviously, record car sales are reflected in these gains. New, domestic **Automobile Sales** in the last 10-day period in August and the first 2 periods in September were 12.69, 12.75 and 11.27 million, annual rate, respectively. The 10-day selling pace has occasionally reached 12 million annual rate but never before in successive periods. The haulers strike this Summer affects the comparison. But the main factor was discount loan incentives, which ran through the end of September.

What are the prospects for **new models** this Fall? Sales always tail off after promotions. Higher sticker prices won't help. At least one producer has already introduced a modified version of discounted loan rates.

Despite an August dip, **single-family home sales** were 3.3% higher than 3 months earlier. Home building has been

Ken Goldstein, Editor

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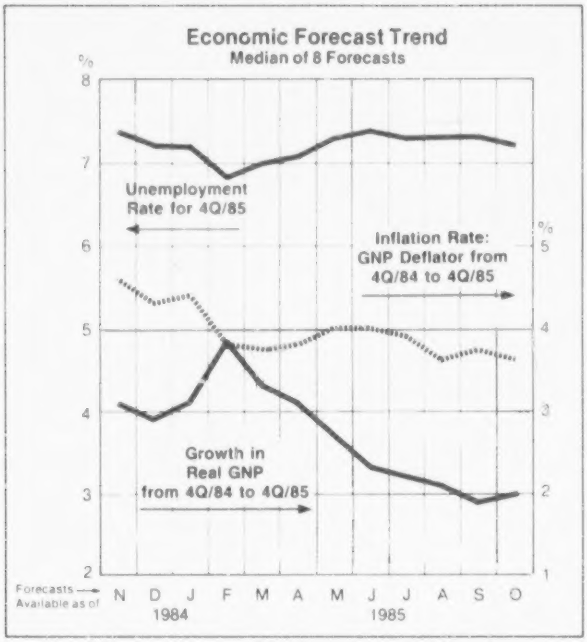


rising more slowly than sales. Building, however, turned up sharply in August. Still, single-unit starts were 8% lower in August than last March. Muliple-unit starts were 6% lower. Builders seem to have been cautious about stepping up activity too quickly. In August, however, construction crews got the go ahead.

Industrial production hasn't taken off as sharply as construction did. Monthly increases had been in a 0.1% to 0.2% range for months. But production expanded by 0.6% in August, then fell 0.1% in September. Not surprisingly, higher production is most pronounced in motor vehicles. That suggests that producers don't expect car sales to plummet.

Capacity utilization rates have turned around. Through August, they have inched higher for 3 straight months. Responses to The Conference Board's **Capital Appropriations and Expenditures** survey suggested that investment intentions have weakened. But with capacity use now higher than any time since the early recovery period, executive's thinking may change.

Steady increases in **factory orders** may continue to stimulate production. New factory orders were up 3.4% in August. Defense orders have taken off: 12.5% gain in August when the July level was already 60% higher than it was 3 months earlier. Nondefense orders, however, were up 2.5% in August.

INVENTORY: Despite some rises in June and July, stocks remain lower than they were 3 months earlier. And the inventory-to-sales ratios were generally no higher in July than last March. No doubt, stocks of new cars have been worked down since July. Elsewhere, some gains in retail sales and lower import shipments may keep inventory from piling up.

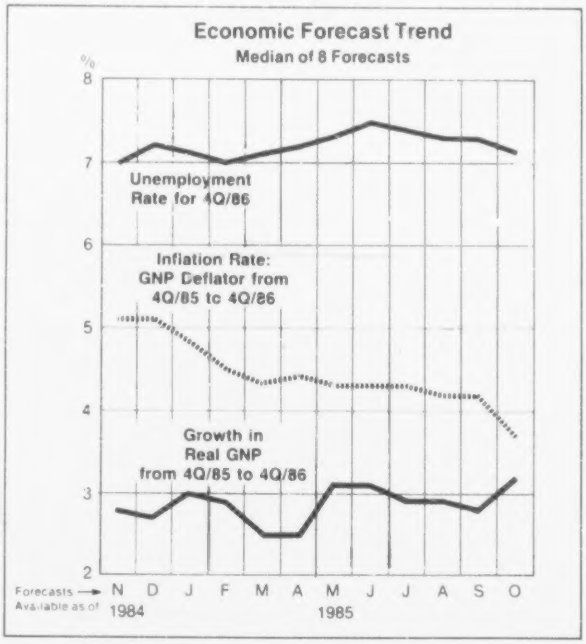
PRICES: Commodity prices are still falling by about 2% per month. The commodity price index was 10% lower in September than it was in April. Food prices were 14% lower. Raw industrial commodity prices were only 7% lower. Prices for raw materials, especially metals, have started to firm in the last 2 months.

INTERNATIONAL MONITOR

The pace of importing has slowed significantly. **Imports** fell 2.1% in August, following a sharp 9.5% drop in July. Imports of cars, trucks, aircraft and parts was about 20% lower in July than only 2 months earlier. Subtracting cars made in Canada, shipments were actually down by almost 30 percent. Inventory of imported cars from Japan have been piling up in recent months while sales have been reasonably stable. Total imports from Japan were 14% lower in August than only 2 months earlier.

The dollar continues to come down. Its trade-weighted average **Exchange Rate** was 125.2 (1980-1982 = 100) in September. It fell further in late September and early October. Currency market participants have reacted to the G-5 (5 government) agreement on market intervention cooperation. Heretofore, the Administration stuck to a noninterventionist stance. The pragmatic approach, in and of itself, is helping to bring the dollar lower.

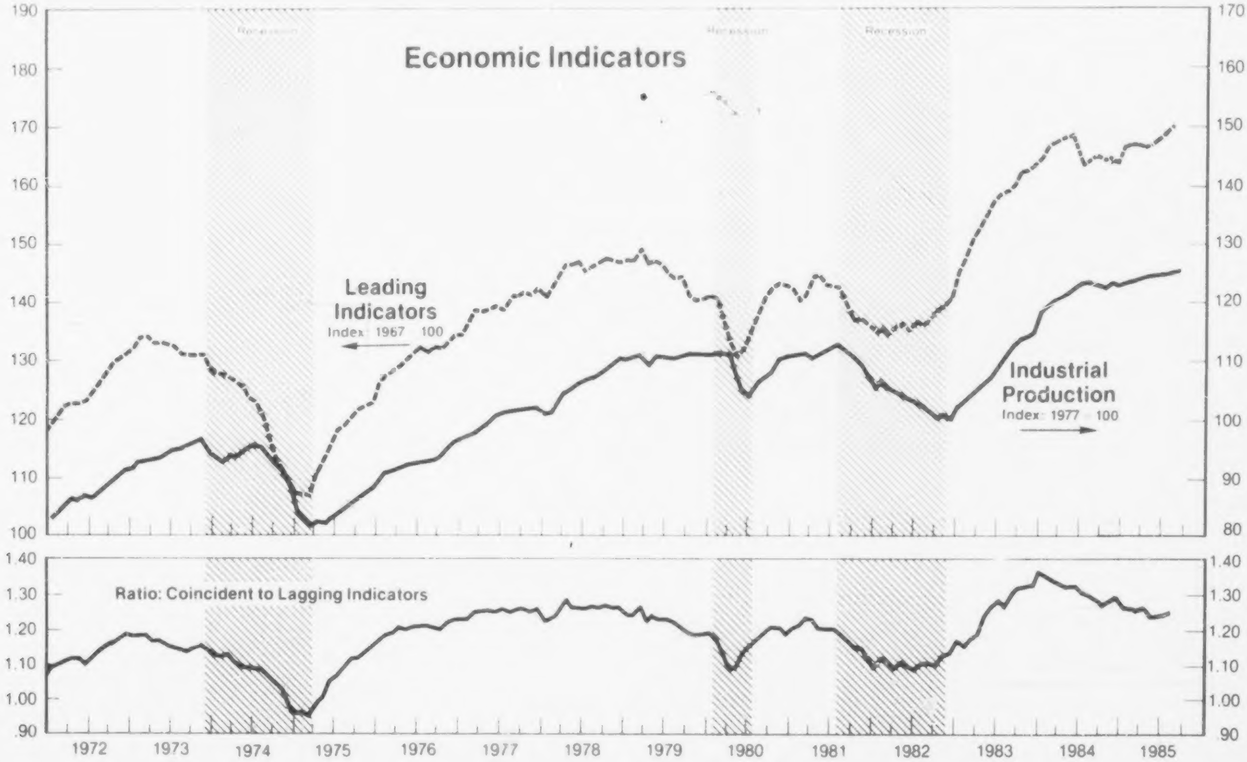
Ken Goldstein
October 10, 1985



STATUS OF LEADING ECONOMIC INDICATORS

		Rising	Level	Declining	Change over latest three months	Change From Year-Ago
		(Classification based on movement of series over several months)				
Leading Economic Indicators	Aug.	X			+ 1.6%	+ 3.5%
Capital Investment Commitments						
*Contracts and orders, plant & equipment (deflated)	Aug.	X			+ 3.9%	– 0.6%
New orders, nondefense capital goods (deflated)	Aug.	X			+ 4.0%	– 0.8%
*New business formation	Aug.	X			+ 4.1%	– 0.1%
*Housing permits	Aug.		X		+ 0.4%	+ 15.7%
Inventory Investment and Purchasing						
*New orders, consumer goods & materials (deflated)	Aug.	X			+ 1.2%	+ 2.6%
*Change in inventory, on hand & order (deflated)	July			X	11.2%	– 20.6%
Purchasing agents' buying policy	Sept.			X	– 3.0%	– 11.0%
*Vendor performance, reported slower deliveries	Aug.			X	– 2.0%	– 12.0%
Industrial raw materials prices	Sept.			X	– 2.0%	– 13.1%
*Change in sensitive material prices	Aug.			X	– 0.3%	+ 0.5%
Sensitive Financial Flows						
*Money balance (M2 deflated)	Aug	X			+ 2.2%	+ 6.1%
Change in business loans	Aug.			X	– 34.3%	– 17.9%
*Change in credit outstanding	Aug			X	– 3.7%	– 4.2%
Change in consumer installment debt	July			X	– 24.3%	– 2.8%
Profitability						
Total corporate profits, after tax (deflated)	2nd Q			X	– 0.2%	– 11.4%
*Common stock prices	Sept.			X	– 2.8%	+ 10.6%
Marginal Employment Adjustments						
*Average workweek, mfg.	Sept.	X			+ 0.3hr	+ 0.1hr
*Initial unemployment claims (inverted)	Sept.		X		+ 3.1%	– 3.3%

Note: For a description of the Leading Indicators Composite Index see Bureau of Economic Analysis, *Handbook of Cyclical Indicators*, (Washington, D.C.: Government Printing Office) June, 1977.
*These twelve series make up the Composite Leading Index charted below.



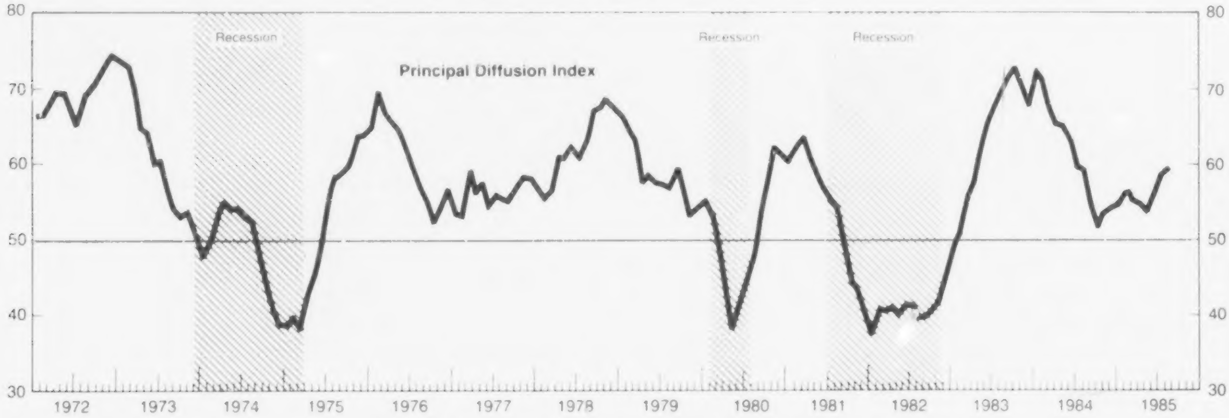
CONFERENCE BOARD DIFFUSION INDEXES

	1984	1985			
DIFFUSION INDEXES	Aug.	May	June	July	Aug. (e)
Principal Diffusion Index	57.0	53.9	56.0	58.1r	59.7
Auxillary Diffusion Index	34.8	47.3	56.6	57.0r	55.2
Industrial Group	57.1	51.6	56.3	58.4r	61.2
Nonindustrial Group	56.8	56.3	55.6	57.8r	58.3
Sense of Diffusion	1	1	1	1	1
SUBGROUP DIFFUSION INDEXES					
Industrial Subgroups					
Production	60.7	45.7	54.7	57.7r	65.8
Labor	53.7	58.3	58.8	60.9r	61.0
Miscellaneous	60.3	43.6	52.6	53.2	54.5
Nonindustrial Subgroups					
Prices	46.2	44.9	46.8	48.1	41.0
Consumer	66.2	70.1	64.5	69.7	73.9
Building	59.0	64.1	62.2	60.3r	66.0
Miscellaneous	53.0	44.9	48.1	50.9	48.9

Note: The principal diffusion index reflects the frequency of rises in 20 component series over the 12-month period ending in the month indicated. The index is based on the direction of change, not the magnitude of change, from month to month. Each component series carries equal weight in the index, but the direction of recent changes is weighted more heavily than are earlier changes. If, for example, 10 component series rose and 10 declined in each of the last 12 months, the current index would be higher than 50 because the data over the latest six-month period are weighted more heavily than data from the earlier six-month period. On the other hand, if all 20 series rose in each of the last six months, after declining in each of the prior six months, weighting would make the current index considerably greater than 50. See Morton Ehrlich, "Using The Conference Board's Diffusion Indexes," The Conference Board *RECORD*, July, 1966.

e-estimate r-revised

The Conference Board Diffusion Index



BUSINESS EXECUTIVES' EXPECTATIONS

	1982	*1983*				*1984*				*1985*	
	Nov.	*Feb.*	*May*	*Aug.*	*Nov.*	*Feb.*	*May*	*Aug.*	*Nov.*	*Feb.*	*May*
	Score (scale 0-100)										
Measure of Business Confidence	60	70	76	75	74	70	65	61	57	61	52
1. Appraisal of Current Economic Conditions Compared With Six Months Ago	44	65	76	82	80	76	75	70	57	62	48
2. Expectations for Economy, Six Months Ahead	70	76	78	74	73	67	60	57	57	61	53
3. Expectations for Own Industry, Six Months Ahead	65	70	72	69	70	67	61	57	58	61	55

The Measure of Business Confidence is the average of the scores for the three primary questions in the survey. Respondents have five reply options for each question; a score for each question is determined by assigning the following values to the replies and calculating the average value of the replies to the question: Substantially Better—100; Moderately Better—75; Same—50; Moderately Worse—25; Substantially Worse—0. The score for each question and the overall Measure of Business Confidence, thus can range from 0 to 100.

CONFERENCE BOARD ESTIMATES OF CAPITAL APPROPRIATIONS AND EXPENDITURES BY MANUFACTURERS AND INVESTOR-OWNED UTILITIES

Billions of Dollars, Seasonally Adjusted

	1983	1984				1985		Percent Change From Previous Year	
	IV	Ir	IIr	IIIr	IVr	Ir	IIp	1984 Actual	1985 Expected**
1000 LARGEST MANUFACTURING FIRMS									
New appropriations	24.262	26.916	34.123	27.309	29.100	29.938	28.605	32	1
Capital expenditures	19.560	20.129	21.739	23.034	24.587	23.354	25.673	19	6
Change in appropriations backlog*	+0.928	+4.969	+10.715	+2.885	+2.302	+4.984	+0.511		
Durable Goods									
New appropriations	11.024	13.387	18.702	12.742	15.072	16.737	11.421	59	-14
Capital expenditures	8.727	8.874	10.041	11.101	12.223	11.648	13.332	33	9
Change in appropriations backlog*	+0.819	+3.659	+ 8.212	+1.107	+1.797	+4.154	-3.184		
Nondurable Goods									
New appropriations	13.238	13.529	15.421	14.567	14.028	13.201	17.184	11	16
Capital expenditures	10.833	11.255	11.698	11.933	12.364	11.706	12.341	9	4
Change in appropriations backlog*	+0.109	+1.310	+2.503	+1.778	+0.505	+0.830	+3.695		
ELECTRIC & GAS UTILITIES									
New appropriations	6.561	5.090	7.843	9.675	11.372	8.851	N.A.	26	
Capital expenditures	8.676	8.737	8.859	9.019	9.170	8.653	N.A.	1	
Change in appropriations backlog*	-4.415	-6.109	-2.971	-1.526	-3.134	-0.077	N.A.		

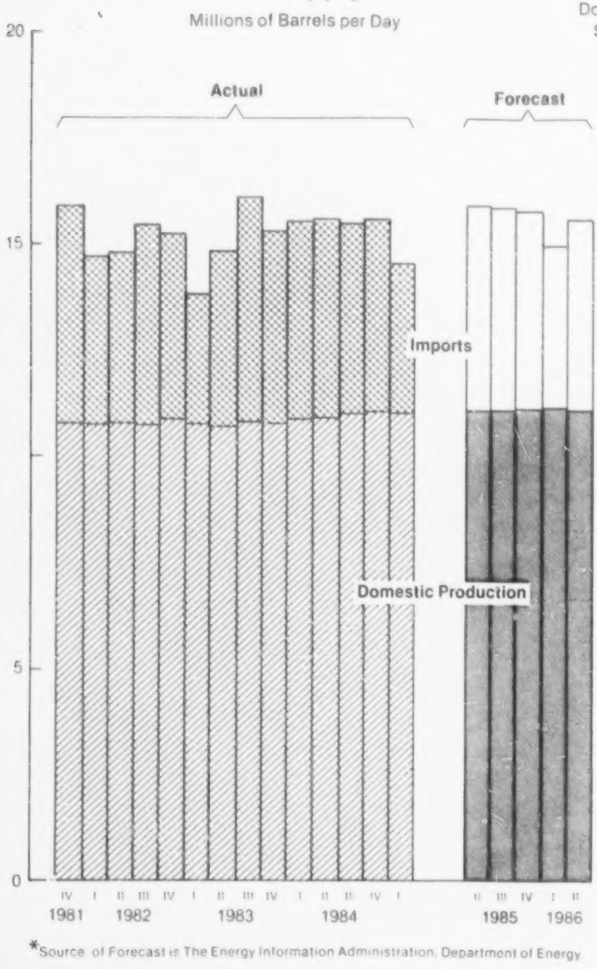
Available on request: Historical data from 1953 (manufacturing) and from 1958 (utilities), and quarterly reports containing text and data for 17 separate manufacturing industries, electric and gas utilities.

r—revised p—preliminary

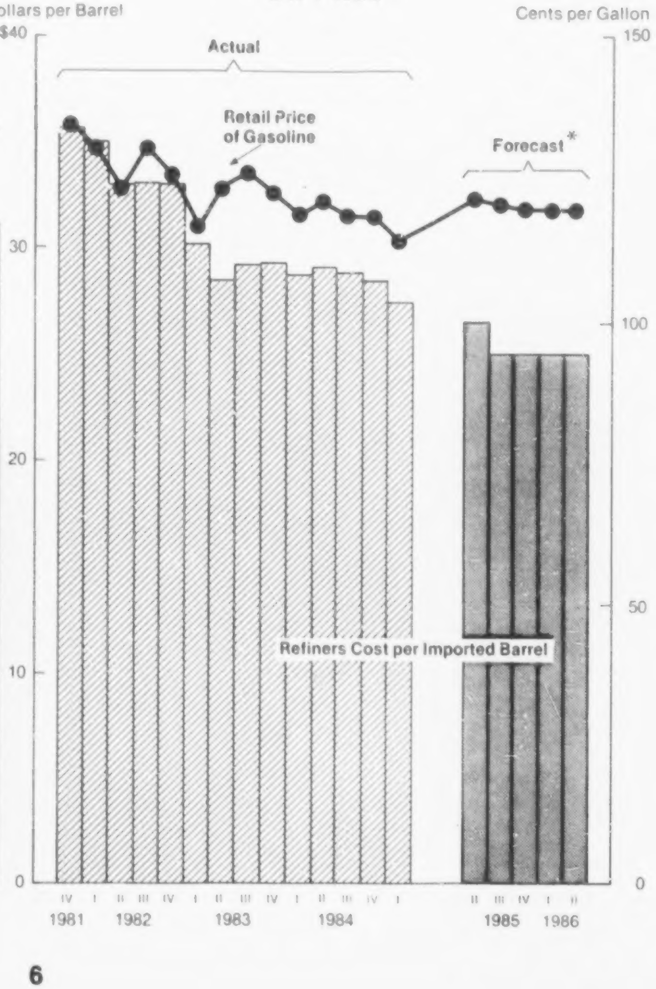
* Change in Backlog = New Appropriations – (Expenditures + Cancellations + Other Adjustments).

** Results based on survey respondents' expectations.

Oil Supply



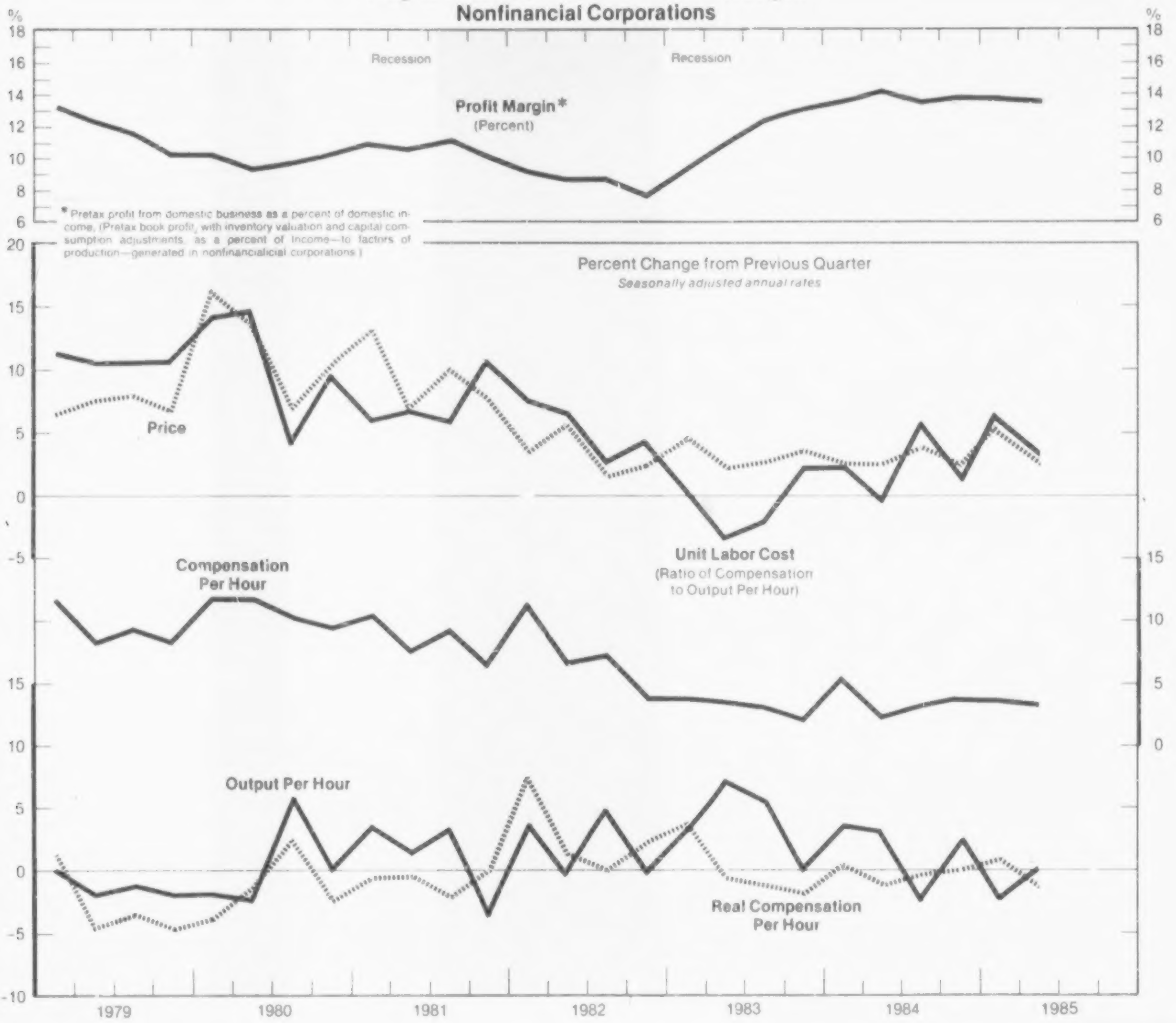
Oil Price



*Source of Forecast is The Energy Information Administration, Department of Energy

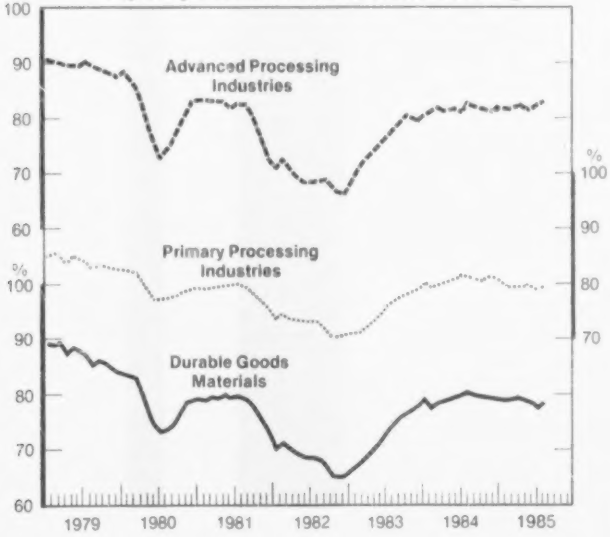
Key Determinants of Profit Margin

Nonfinancial Corporations

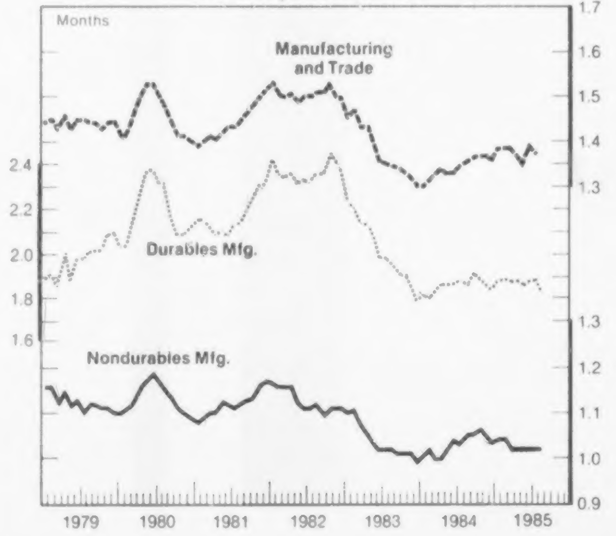


* Pretax profit from domestic business as a percent of domestic income. (Pretax book profit, with inventory valuation and capital consumption adjustments, as a percent of income—to factors of production—generated in nonfinancialicial corporations.)

Capacity Utilization Rates Manufacturing



Inventory-Sales Ratios



ECONOMIC FORECASTS

			U.C.L.A.[2] Business Forecasting Project		Merrill Lynch[1] Economics Inc.		E.I. duPont[1] de Nemours & Co.		Georgia State University[1]	
Date of Forecast			*August, 1985*		*Sept., 1985*		*Sept., 1985*		*Sept., 1985*	
			Level	*Percent Change*	*Level*	*Percent Change*	*Level*	*Percent Change*	*Level*	*Percent Change*
Gross National Product Billions of Current Dollars										
Actual	**1985**	**II**			**$3853.1**	**4.5%**	**$3853.1**	**4.5%**	**$3853.1**	**4.5%**
		III	$3912.1	6.0%	3914.3	6.5	3896.1	4.5	3912.4	6.3
		IV	3972.2	6.3	3965.4	5.3	3950.8	5.7	3997.0	8.9
	1986	I	4040.5	7.1	4026.1	6.3	4008.2	5.9	4058.9	6.3
		II	4111.0	7.2	4094.4	7.0	4071.7	6.5	4128.2	7.0
		III	4192.3	8.1	4172.6	7.9	4148.1	7.7	4190.3	6.2
		IV	4282.8	8.9	4252.5	7.9	4218.1	6.9	4262.9	7.1
	1987	I	4389.8	10.4			4284.6	6.5	4343.0	7.7
		II	4490.0	9.4			4363.1	7.5	4438.6	9.1
		III	4587.1	8.9			4430.8	6.4	4535.3	9.0
	1985	Annual	3887.5	6.1	3885.9	6.1	3877.7	5.9	3893.3	6.3
	1986	Annual	4156.7	6.9	4136.4	6.4	4111.5	6.0	4160.1	6.9
Gross National Product Billions of Constant (1972) Dollars										
Actual	**1985**	**II**			**$1671.3**	**1.9%**	**$1671.3**	**1.9%**	**$1671.3**	**1.9%**
		III	$1683.7	2.9%	1684.5	3.2	1683.0	2.8	1686.1	3.6
		IV	1695.5	2.8	1693.4	2.1	1692.0	2.2	1703.5	4.2
	1986	I	1709.5	3.3	1705.9	3.0	1702.0	2.4	1715.3	2.8
		II	1724.5	3.6	1720.0	3.3	1718.0	3.8	1725.9	2.5
		III	1742.8	4.3	1736.1	3.8	1732.0	3.3	1732.8	1.6
		IV	1764.6	5.1	1752.6	3.9	1743.0	2.6	1742.7	2.3
	1987	I	1789.4	5.7			1756.0	3.0	1753.5	2.5
		II	1811.8	5.1			1770.0	3.2	1770.4	3.9
		III	1831.6	4.4			1783.0	3.0	1785.7	3.5
	1985	Annual	1678.6	2.4	1678.2	2.4	1677.5	2.3	1681.1	2.5
	1986	Annual	1735.4	3.4	1728.7	3.0	1723.8	2.8	1729.2	2.9
Gross National Product deflator Index, 1972 = 100										
Actual	**1985**	**II**			**230.5**	**2.6%**	**230.5**	**2.6%**	**230.5**	**2.6%**
		III	232.4	3.0%	232.4	3.2	231.5	1.7	232.0	2.6
		IV	234.3	3.4	234.2	3.1	233.5	3.5	234.6	4.6
	1986	I	236.4	3.6	236.0	3.2	235.5	3.5	236.6	3.4
		II	238.4	3.5	238.0	3.5	237.0	2.6	239.2	4.4
		III	240.5	3.7	240.3	3.9	239.5	4.3	241.8	4.5
		IV	242.7	3.6	242.6	3.9	242.0	4.2	244.6	4.7
	1987	I	245.3	4.4			244.0	3.3	247.7	5.1
		II	247.8	4.1			246.5	4.2	250.7	5.0
		III	250.4	4.3			248.5	3.3	254.0	5.3
	1985	Annual	231.6	3.7	231.5	3.6	231.2	3.5	231.6	3.7
	1986	Annual	239.5	3.4	239.3	3.3	238.5	3.2	240.6	3.9
Unemployment Rate										
Actual	**1985**	**II**		**7.3%**		**7.3%**		**7.3%**		**7.3%**
		III		7.3		7.2		7.1		7.1
		IV		7.3		7.2		7.1		7.0
	1986	I		7.4		7.2		7.1		6.8
		II		7.3		7.1		7.2		6.8
		III		7.2		7.0		7.3		6.9
		IV		7.1		6.9		7.3		7.1
	1987	I		6.9				7.4		7.2
		II		6.8				7.4		7.2
		III		6.6				7.4		
	1985	Annual		7.3		7.3		7.2		7.2
	1986	Annual		7.3		7.1		7.2		6.9

Notes: Percentage changes represent compound annual rates of change from preceding period. Quarterly data are seasonally adjusted.

[1] Based on revised (second revision) second quarter data.

[2] Based on revised (first revision) second quarter data.

ECONOMIC FORECASTS (continued)

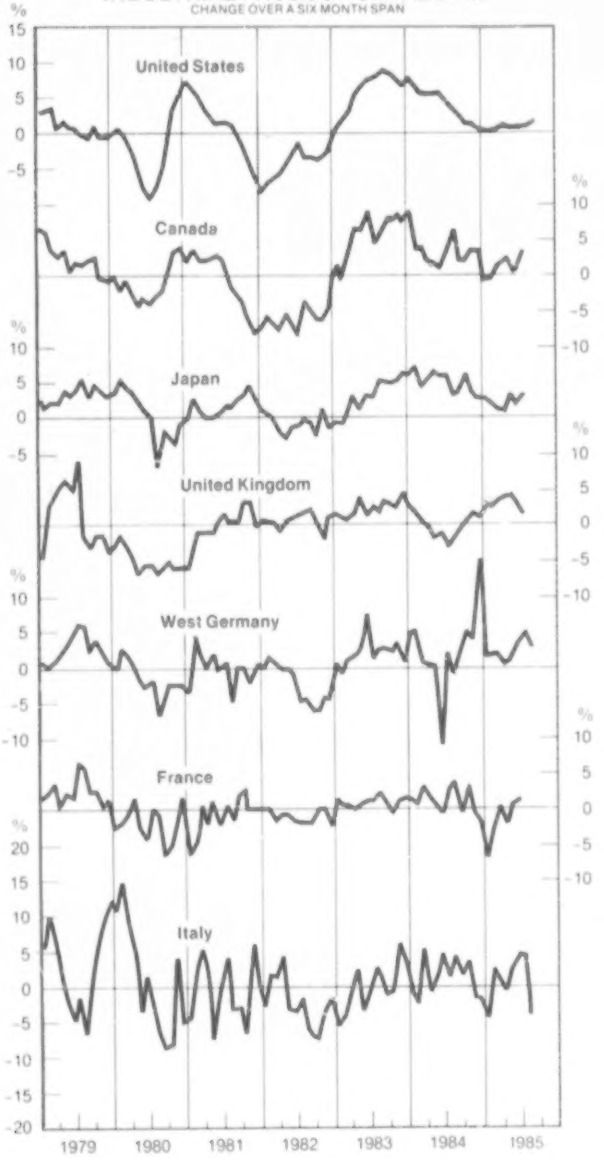
The Conference Board[1]		Chase Econometric Associates, Inc.[1]		Data Resources Inc.[1]		Wharton E.F.A. Inc.[1]				
Sept., 1985		*Sept., 1985*		*Sept., 1985*		*Sept., 1985*		*Date of Forecast*		
Level	*Percent Change*	*Level*	*Percent Change*	*Level*	*Percent Change*	*Level*	*Percent Change*			
								Gross National Product Billions of Current Dollars		
$3853.1	**4.5%**	**$3853.1**	**4.5%**	**$3853.1**	**4.5%**	**$3853.1**	**4.5%**	**II**	**1985**	**Actual**
3913.0	6.4	3910.4	6.1	3911.5	6.2	3910.3	6.1	III		
3971.0	6.1	3965.0	5.7	3969.1	6.0	3978.8	7.2	IV		
4031.0	6.2	4036.7	7.4	4014.3	4.6	4042.1	6.5	I	1986	
4100.0	7.0	4097.9	6.2	4059.5	4.6	4109.0	6.8	II		
4190.0	9.1	4157.8	6.0	4113.7	5.4	4189.2	8.0	III		
4279.0	8.8	4215.9	5.7	4182.0	6.8	4281.4	9.1	IV		
		4307.8	9.0	4275.3	9.2	4367.7	8.3	I	1987	
		4397.9	8.6	4370.4	9.2	4451.0	7.8	II		
		4499.7	9.6	4462.5	8.7	4527.9	7.1	III		
3886.9	6.1	3884.8	6.1	3886.1	6.1	3888.2	6.2	Annual	1985	
4150.0	6.8	4127.1	6.2	4092.4	5.3	4155.4	6.9	Annual	1986	
								Gross National Product Billions of Constant (1972) Dollars		
$1671.3	**1.9%**	**$1671.3**	**1.9%**	**$1671.3**	**1.9%**	**$1671.3**	**1.9%**	**II**	**1985**	**Actual**
1684.3	3.1	1683.0	2.8	1684.0	3.1	1684.0	3.1	III		
1696.7	3.0	1693.4	2.5	1693.5	2.3	1698.2	3.4	IV		
1708.7	2.9	1707.3	3.3	1699.8	1.5	1708.5	2.4	I	1986	
1722.9	3.4	1719.3	2.8	1706.4	1.6	1721.2	3.0	II		
1743.5	4.9	1727.3	1.9	1716.1	2.3	1737.6	3.9	III		
1760.6	4.0	1733.8	1.5	1729.0	3.0	1756.8	4.5	IV		
		1752.3	4.3	1749.5	4.8	1771.6	3.4	I	1987	
		1770.3	4.2	1769.7	4.7	1786.5	3.4	II		
		1788.2	4.1	1786.7	3.9	1797.7	2.5	III		
1679.0	2.4	1677.8	2.3	1678.1	2.4	1679.3	2.4	Annual	1985	
1733.9	3.3	1721.9	2.6	1,12.8	2.1	1731.0	3.1	Annual	1986	
								Gross National Product deflator Index, 1972 = 100		
230.5	**2.6%**	**230.5**	**2.6%**	**230.5**	**2.6%**	**230.5**	**2.6%**	**II**	**1985**	**Actual**
232.3	3.1	232.3	3.2	232.3	3.0	232.2	2.9	III		
234.0	3.0	234.1	3.1	234.4	3.7	234.3	3.7	IV		
235.9	3.2	236.4	4.0	236.2	3.1	236.6	4.0	I	1986	
238.0	3.5	238.3	3.3	237.9	3.0	238.7	3.7	II		
240.3	4.0	240.7	4.0	239.7	3.1	241.1	4.0	III		
243.0	4.6	243.2	4.1	241.9	3.7	243.7	4.4	IV		
		245.8	4.5	244.4	4.2	246.5	4.7	I	1987	
		248.4	4.3	247.0	4.3	249.1	4.3	II		
		251.6	5.3	249.8	4.6	251.9	4.4	III		
231.5	3.6	231.5	3.6	231.6	3.6	231.5	3.6	Annual	1985	
239.3	3.4	233.7	3.5	238.9	3.2	240.0	3.7	Annual	1986	
								Unemployment Rate		
	7.3%		**7.3%**		**7.3%**		**7.3%**	**II**	**1985**	**Actual**
	7.1		7.1		7.2		7.1	III		
	7.1		7.2		7.3		7.0	IV		
	7.3		7.4		7.3		7.2	I	1986	
	7.1		7.3		7.4		7.0	II		
	6.8		7.3		7.5		6.8	III		
	6.7		7.2		7.6		6.7	IV		
			7.2		7.6		6.6	I	1987	
			7.1		7.5		6.4	II		
			6.9		7.4		6.5	III		
	7.2		7.2		7.3		7.2	Annual	1985	
	7.0		7.3		7.5		6.9	Annual	1986	

Please Note: In the interest of speeding the data contained in this publication to you, these series are available on-line through The Conference Board Data Base. For more information, contact Linette Stein Waters or Ken Goldstein at (212) 759-0900.

SELECTED INTERNATIONAL COMPARISONS

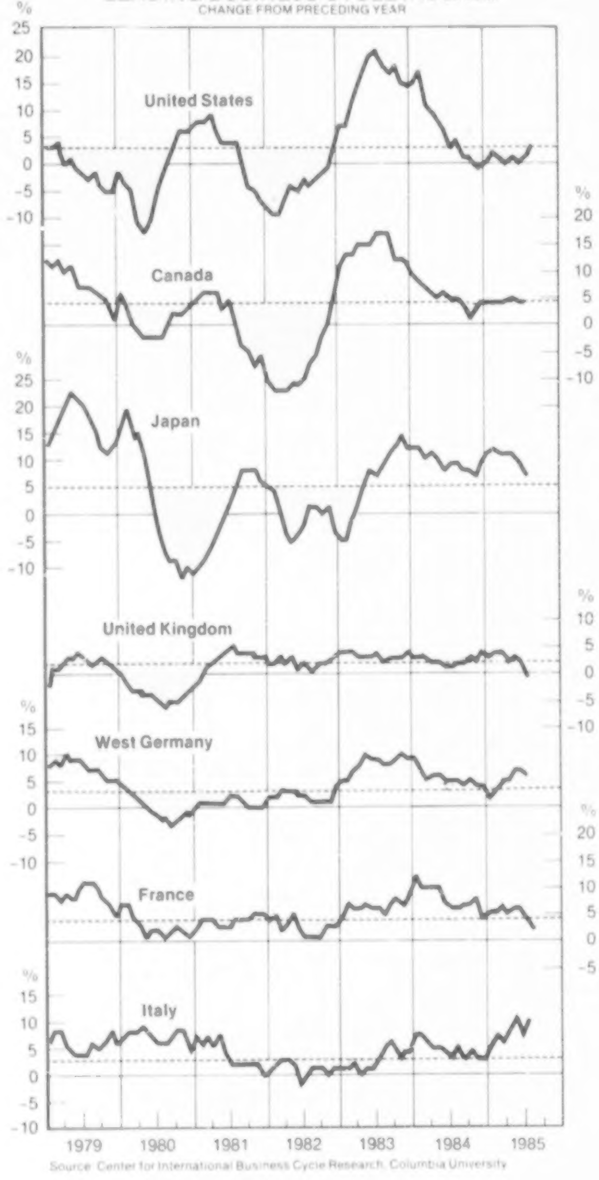
INDUSTRIAL PRODUCTION INDEXES

CHANGE OVER A SIX MONTH SPAN



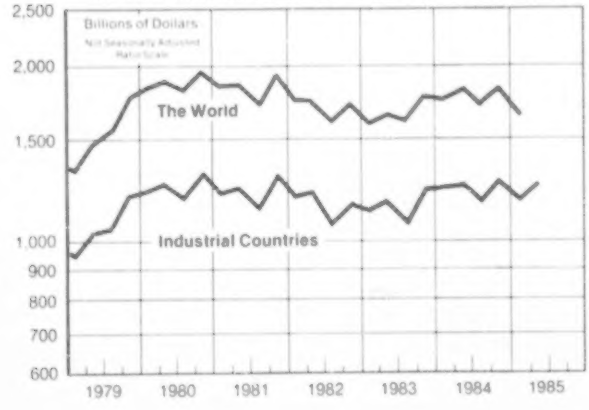
LEADING BUSINESS CYCLE INDEXES

CHANGE FROM PRECEDING YEAR

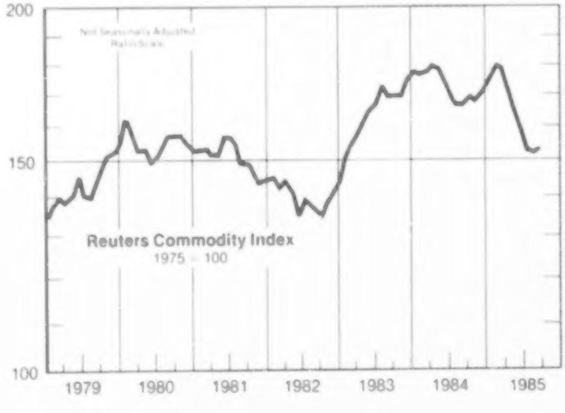


Source: Center for International Business Cycle Research, Columbia University

MERCHANDISE TRADE: VALUE OF EXPORTS

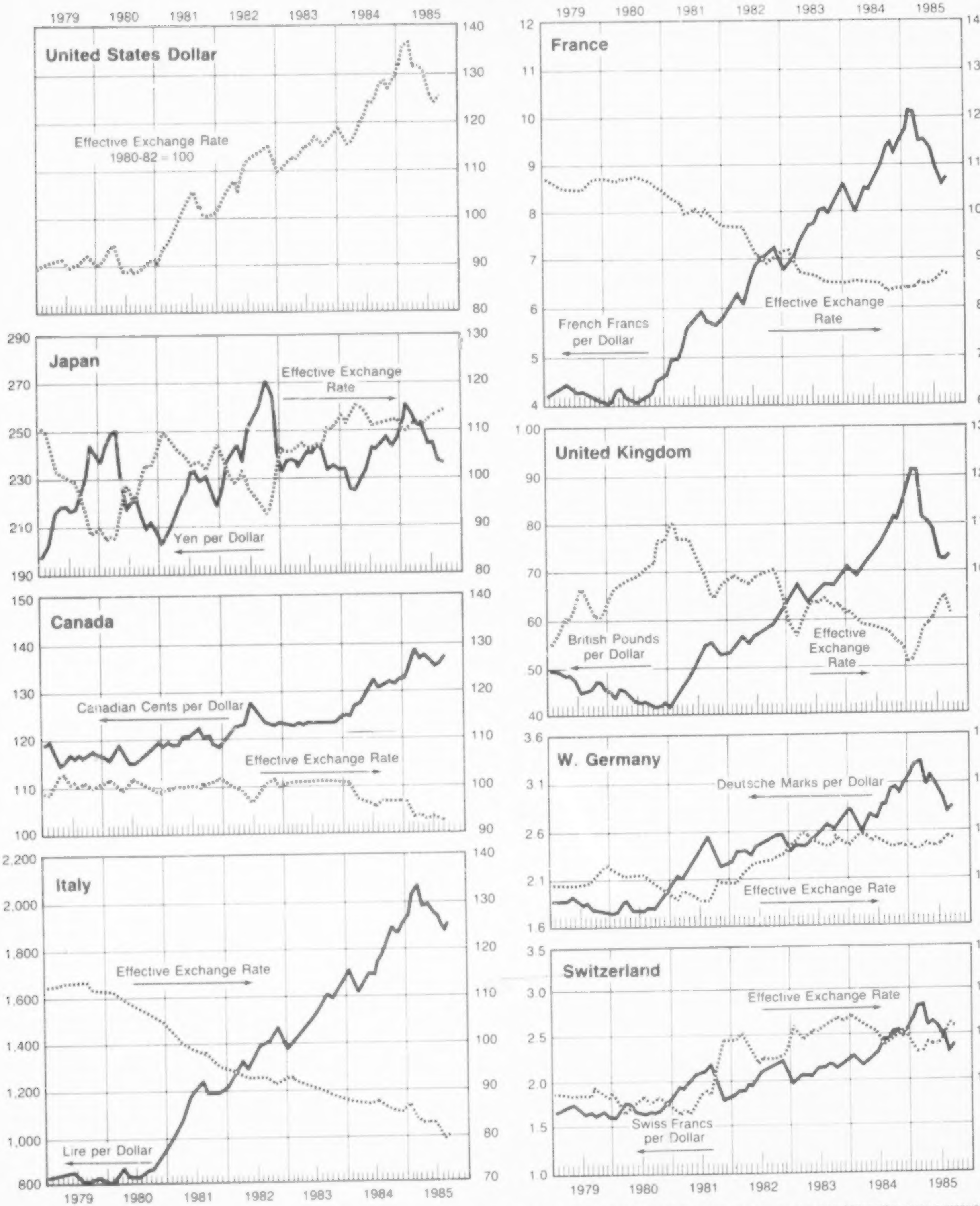


RAW MATERIALS PRICES



Foreign Exchange Rates

Indexes: 1980-82 = 100



Note: Nominal Effective Exchange Rates. Index numbers 1980-82 = 100. Each index shows a currency's trade-weighted appreciation or depreciation measured against fifteen other major currencies using averages of daily noon spot exchange rates in New York and bilateral trade weights based on 1980 trade in manufactures.

Source: Morgan Guaranty Trust Co.

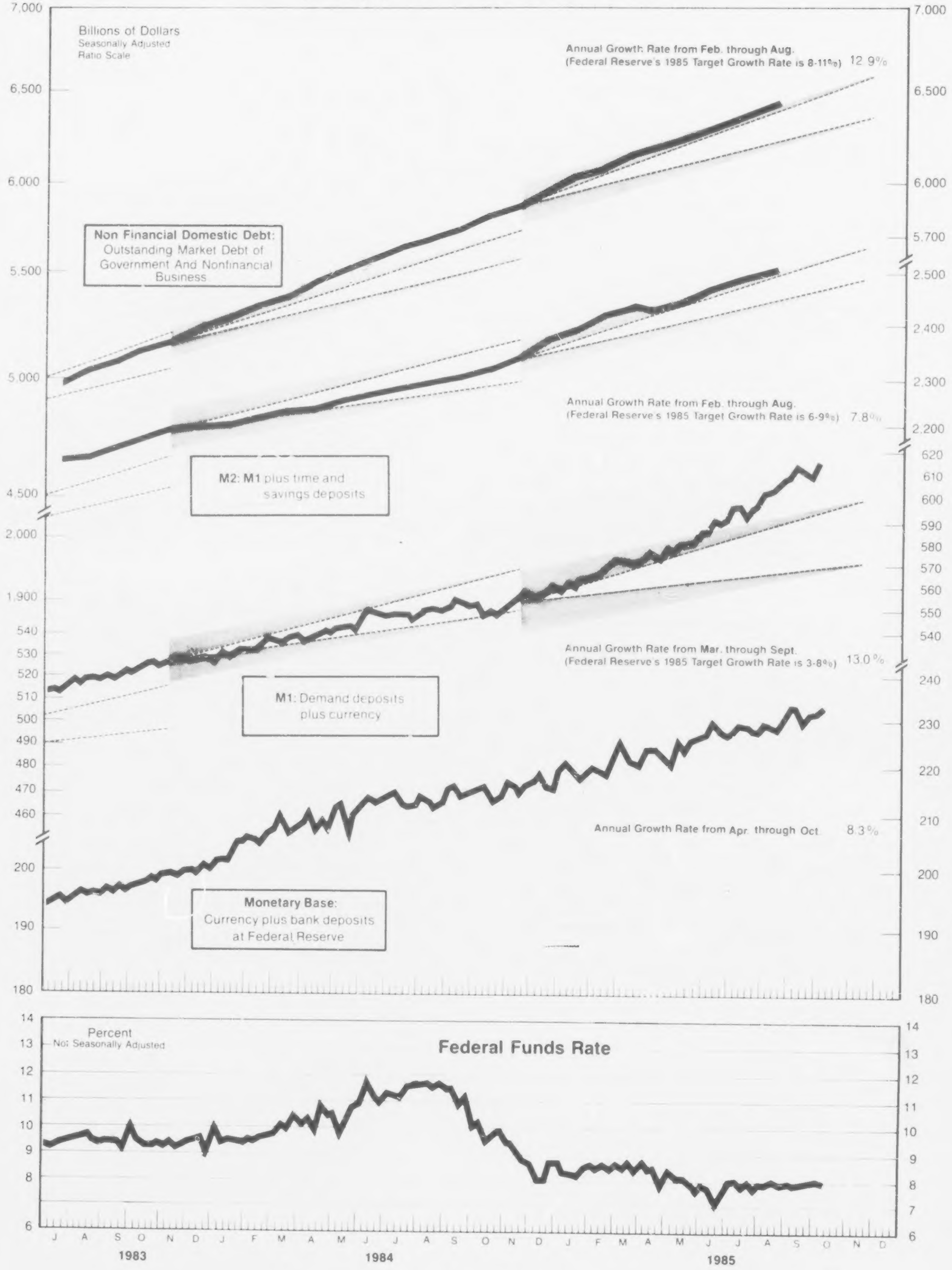
PERSPECTIVE ON THE FEDERAL BUDGET
(Billions of Current Dollars)

	Fiscal 1986		Fiscal 1987		Fiscal 1988	
	Administration's Latest Estimate	Congress's Latest Estimate	Administration's Latest Estimate	Congress's Latest Estimte	Administration's Latest Estimate	Congress's Latest Estimate
	(8/30/85)	(8/15/85)	(8/30/85)	(8/15/85)	(8/30/85)	(8/15/85)
Receipts	**$ 779.8**	**$ 790.0**	**$ 850.1**	**$ 858.0**	**$ 937.0**	**$ 939.0**
Outlays	**957.7**	**965.0**	**989.4**	**1,021.0**	**1,036.8**	**1,082.0**
Deficit	**-177.8**	**-175.0**	**-139.3**	**-163.0**	**-99.8**	**-143.0**
Receipts by source	**779.8**	**790.0**	**850.1**	**858.0**	**937.0**	**939.0**
Individual income taxes	356.2	362.5	389.8	395.0	429.8	434.0
Social security	287.2	285.3	309.5	305.0	343.8	338.0
Corporate income taxes	68.0	72.5	81.2	87.0	94.4	96.0
Other receipts	68.4	69.7	69.6	71.0	69.0	71.0
Outlays by function	**957.7**	**965.0**	**989.4**	**1,021.0**	**1,036.8**	**1,082.0**
Social security and medicare	268.4	270.0	287.0	290.4	308.3	312.9
National defense	267.1	267.1	285.2	285.2	303.9	304.0
Income security	115.2	121.1	119.4	124.2	124.1	130.6
Health	34.6	34.9	35.7	37.8	37.1	40.7
Education and manpower	30.4	30.8	28.4	31.3	28.2	32.1
Transportation	26.1	25.8	25.6	27.7	24.7	28.1
Veterans' benefits	26.6	26.8	26.8	27.3	27.7	27.7
International affairs	21.3	18.9	19.1	17.3	18.0	16.4
Agriculture	16.4	16.2	10.6	16.2	9.5	13.7
Natural resources	12.4	13.0	11.6	12.8	11.5	13.0
General science	9.4	8.9	9.4	8.9	9.6	9.0
Justice	6.6	6.8	6.7	7.0	6.7	7.2
Community development	7.4	8.0	6.5	7.3	5.9	6.8
General government	5.0	5.5	5.0	5.2	5.1	5.5
Commerce, housing credit	2.8	3.7	-1.0	3.4	-1.6	5.2
Energy	3.8	5.6	3.1	5.2	1.8	4.5
Revenue sharing	2.9	6.5	1.7	3.2	1.8	2.1
Interest	138.1	137.0	147.0	149.0	151.8	165.0
Allowances	0.0	-1.7	0.8	-1.7	1.9	-0.5
Offsetting receipts	-36.9	-39.9	-39.0	-37.1	-39.2	-41.9

ECONOMIC ASSUMPTIONS OF THE BUDGET

GNP						
Current Dollar	**$4,236.7**	**$4,217.0**	**$4,589.4**	**$4,548.0**	**$4,959.3**	**$4,905.0**
Constant (1972) Dollar	**1,754.6**	**1,743.0**	**1,824.8**	**1,802.0**	**1,897.6**	**1,865.0**
Percent change in						
Current dollar	8.5%	8.0%	8.3%	7.8%	8.1%	7.9%
Constant (1972) dollar	4.2	3.6	4.0	3.4	4.0	3.5
Implicit price deflator	4.1	4.2	4.2	4.3	3.9	4.2
Consumer price index	4.2	4.5	4.2	4.4	3.9	4.2
91-Day T bill rate	7.5	7.4	7.0	7.2	5.9	7.2
Unemployment rate	6.8	7.0	6.6	6.8	6.3	6.5

Money Supply and Monetary Growth Targets



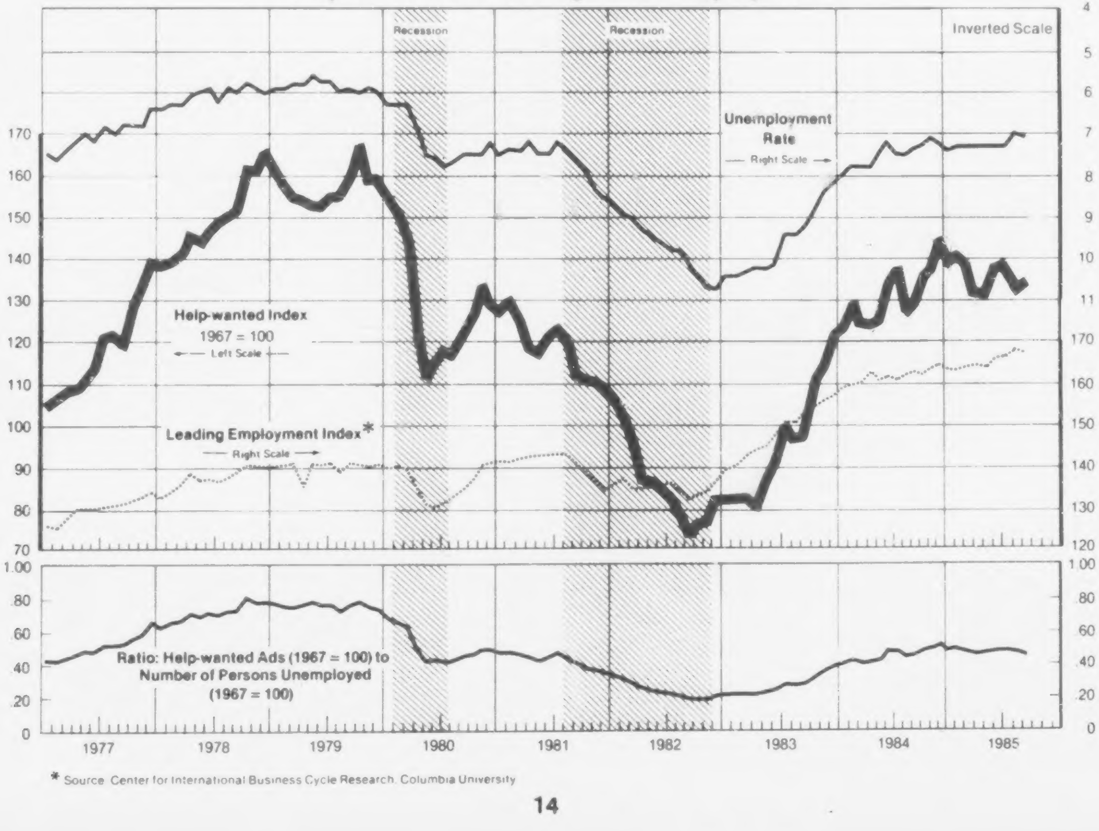
CONFERENCE BOARD HELP-WANTED ADVERTISING INDEXES

Seasonally Adjusted Indexes, 1967 = 100

Locality	1985 Aug.	1985 July	1985 June	1984 Aug.
National Index	133	139	138	128
New England	143	159	153	146
Boston	153	167	166	155
Hartford	141	180	138	157
Providence	112	116	124	106
Middle Atlantic	68	71r	69	60
Albany	159	176	176	95
Allentown	198	213r	191r	150
New York	54	54	54	52
Philadelphia	59	64	61	53
Pittsburgh	67	75	72	55
Rochester	86	88	86	73
Syracuse	119	127	112	106
East North Central	86	90r	90	79
Chicago	98	101	99	102
Cincinnati	129	132r	147	85
Cleveland	57	63	61	55
Columbus	128	131	134	102
Dayton	75	81	91	63
Detroit	60	64	64	49
Gary	116	120	113	103
Indianapolis	84	89	90	78
Milwaukee	53	59	57	52
Toledo	107	112	112	85
West North Central	84	93	94	85
Kansas City	123	164	145	146
Minneapolis	68	71	75	66
Omaha	124	112	124	131
St. Louis	65	67	73	56
South Atlantic	165	165	172	148
Atlanta	262	285	303	254
Baltimore	153	126	127	111
Charlotte	131	140	143	134
Jacksonville	213	210	216	192
Miami	74	72	79	78
Richmond	119	122	105	92
Washington, D.C.	163	167	178	146
East South Central	138	154	149	120r
Birmingham	148	156	166	129
Knoxville	192	194	194	191
Louisville	84	95	98	72
Memphis	98	110	112	95r
Nashville	203	250	208	155
West South Central	228	247	253	266
Dallas	301	340	343	362
Houston	284	299	303	333
New Orleans	98	111	114	125
Oklahoma City	129	145	155	160
San Antonio	209	206	219	195
Tulsa	137	153	168	156
Mountain	307	330	326	291
Denver	198	223	207	203
Phoenix	438	461	484	377
Salt Lake City	332	353	334	340
Pacific	196	198	191	187
Los Angeles	144	144	140	145
Sacramento	359	383	350	304
San Bernadino	191	216	195	151
San Diego	422	431	431	380
San Francisco	207	203	193	200
Seattle	190	182	182	190
Percentage of papers with rising volume	14	39	90	16
Unemployment rate	7.0	7.3	7.3	7.5

Note: For definitions and method, see Noreen Preston, *The Help-wanted Ind*[illegible] (New York: The Conference Board, 1977).
r—revised N.A.—not available

Help-wanted Adverti[illegible]ng and Unemployment



* Source: Center for International Business Cycle Research, Columbia University

CONFERENCE BOARD INDEXES OF CONSUMER CONFIDENCE AND BUYING PLANS

Indexes, 1969-1970 = 100
(Seasonally Adjusted)

Consumer Confidence Index

	Jan.	Feb	Mar.	Apr.	May	June	July	Aug	Sept	Oct	Nov.	Dec.
1983	58.0	65.8	77.1	80.3	84.0	84.9	84.7	84.6	84.8	85.7	90.2	95.1
1984	98.4	95.7	94.5	97.9	95.2	97.1	91.0	91.9	91.0	91.5	96.8	85.9
1985	95.4	95.8	87.8	93.1	87.2	91.5	92.1	89.8r	87.2p			

Buying Plans Index

	Jan.	Feb	Mar.	Apr.	May	June	July	Aug	Sept	Oct	Nov.	Dec.
1983	71.9	75.8	87.9	86.0	85.2	103.6	100.5	89.9	113.5	109.9	108.9	108.5
1984	101.4	108.0	103.9	99.4	105.1	121.6	94.5	100.6	93.3	98.5	102.7	96.2
1985	102.3	107.1	113.8	101.4	88.8	107.6	97.7	105.3r	115.4p			

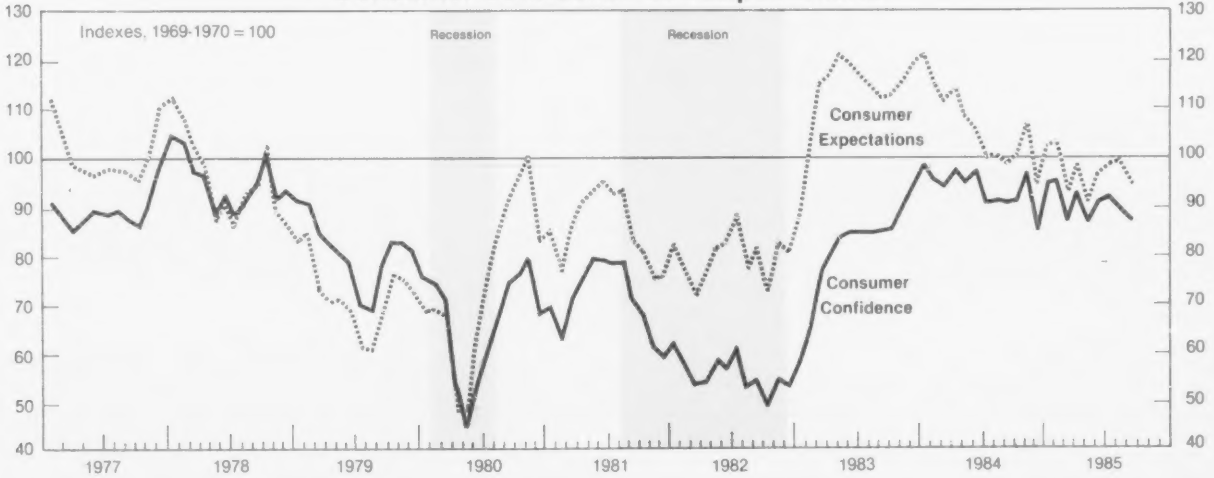
Confidence Index measures consumer optimism in appraising economic conditions. Buying plans Index is based on intentions to purchase cars, homes, appliances. Expectations Index, (charted below), measures consumer attitudes with regard to business conditions and employment and income levels six months hence. Data prior to May, 1981 based on survey of families. Data after May, 1981 are based on survey of households. A description of these indexes appears in The Conference Board RECORD, September, 1973.

Surveys are conducted by National Family Opinion, Inc.

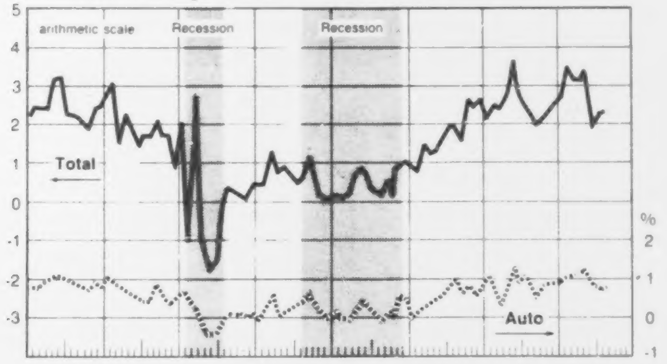
p—preliminary

r—revised

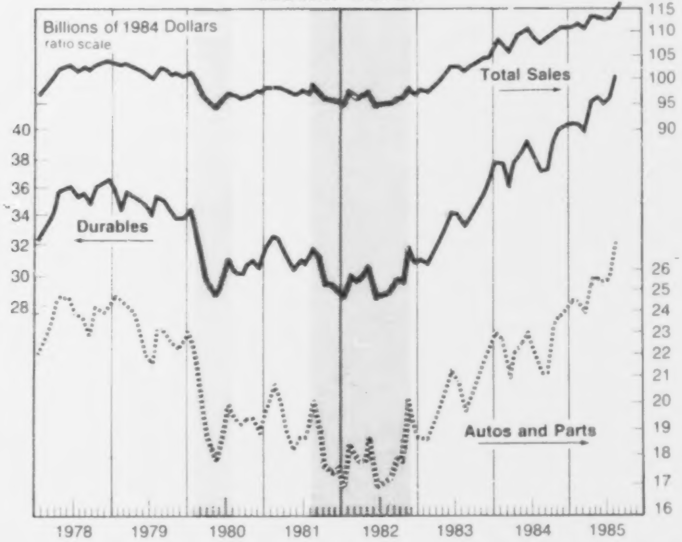
Consumer Confidence and Expectations



Consumer Installment Debt Expansion ÷ Personal Income



Retail Sales



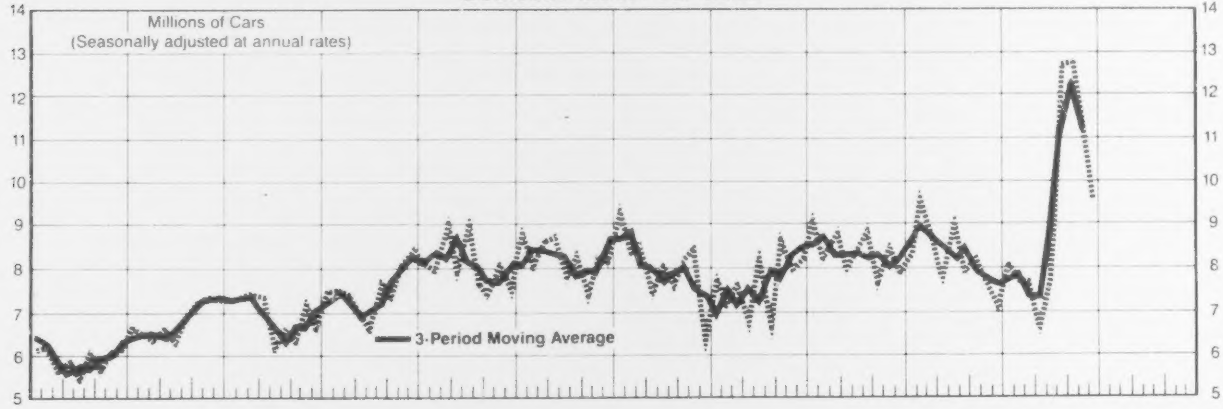
CONFERENCE BOARD ESTIMATES OF NEW AUTO SALES, BY 10-DAY PERIODS

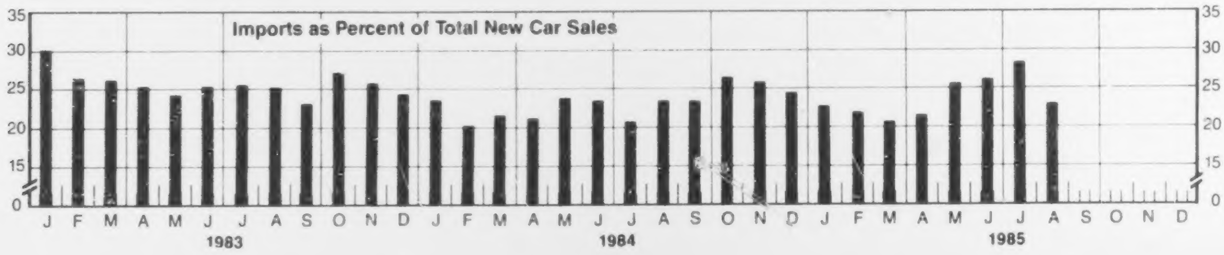
Millions, Seasonally Adjusted at Annual Rate

Periods		1982	1983	1984	1985
January:	1-10	5.53	6.17	8.16	9.14
	11-20	5.59	6.20	7.84	8.16
	21-31	5.14	5.60	9.15	8.78
February:	1-10	6.10	5.86	7.79	7.97
	11-20	6.03	5.30	9.17	8.28
	21-28(29)	6.06	6.07	7.60	8.81
March:	1-10	5.46	5.61	7.35	7.60
	11-20	5.68	6.10	8.13	8.55
	21-31	6.17	6.19	7.35	7.86
April:	1-10	5.06	6.69	8.88	8.30
	11-20	6.14	6.52	7.96	9.76
	21-30	5.62	6.35	8.60	8.73
May:	1-10	6.31	6.67	8.75	7.65
	11-20	6.53	6.30	7.74	9.13
	21-31	5.77	6.97	8.43	7.88
June:	1-10	6.00	7.23	7.22	8.35
	11-20	4.24	7.34	8.25	7.67
	21-30	4.56	7.28	8.10	7.10
July:	1-10	4.98	7.25	9.51	8.09
	11-20	5.56	7.36	8.32	7.71
	21-31	5.34	7.43	8.59	7.69
August:	1-10	5.27	7.39	7.33	6.59
	11-20	5.00	6.11	8.07	7.69
	21-31	5.72	6.65	7.43	12.69
September:	1-10	5.16	6.26	8.13	12.75
	11-20	6.75	7.21	8.52	11.27
	21-30	6.11	6.55	6.03	9.59
October:	1-10	5.22	7.52	7.83	
	11-20	5.36	7.56	7.07	
	21-31	5.91	7.45	7.70	
November:	1-10	6.56	6.96	6.60	
	11-20	6.98	6.55	8.44	
	21-30	6.48	7.62	6.57	
December:	1-10	6.03	7.30	8.75	
	11-20	6.45	8.09	7.96	
	21-31	6.64	8.48	8.19	

Note: Dealer sales exclude exports and foreign-model cars (unless manufactured domestically.) Data from Ward's Automotive Reports are seasonally adjusted by The Conference Board. Prior data available upon request.

Domestic-Model Car Sales





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STATISTICAL BULLETIN

Volume 18, No. 10, November, 1985

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The Conference Board

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Statistical Reference Index
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THE CONFERENCE BOARD'S STATISTICAL BULLETIN COMMENTARY

* INDUSTRIAL PRODUCTION STILL RISING MODESTLY
* INVENTORY DECLINES
* CONSTRUCTION BOOM RUNS INTO TROUBLE
* PERSONAL INCOME GAINS
* IMPORTS SURGE
* DOLLAR TAKES A SHARP PLUNGE
* OUTLOOK * 4TH QUARTER GROWTH PEGGED AT JUST UNDER 3%

OVERVIEW: The final quarter of 1985 began with a longer list of positives than negatives. Employment growth over the last 2 months has exceeded expectations and personal income has started to rise a little. New orders, though down in the latest month, were still higher than a few months ago. Production has continued to expand, albeit rather modestly, while inventory levels have continued to fall.

Additionally, money growth remains strong. Price increases are not accelerating. And the dollar came down rather sharply in October. Business activity, then, continues to look robust in a number of areas.

Still, there are a few signs of economic strain in the system. High consumer debt, and a low savings rate, represent one area of concern. Consumers can't repay debt, rebuild savings and continue to increase spending. On another front, construction has run into difficulty sustaining momentum. Housing starts fell in September.

Another important problem area is foreign trade. Until most recently, there was some small indication that the import surge was subsiding. In September, however, there was an outsized increase in imports. The significant dollar decline occurred in October. The import rise, then, can't simply be attributed to the effect of a dollar decline.

Overall, while the indication is that economic growth remained vigorous going into the 4th quarter, economic expansion was not spreading into a few, important areas. On balance, the *Economic Forecasts* are now expecting real GNP growth of about 2.7% in the 4th quarter (seasonally adjusted annual rate). Further, they expect that pace of activity to be maintained going into the first half of the new year.

DOMESTIC MARKETS MONITOR

Labor market activity has perked up a bit over the last 2 months. Employment gains were quite strong, but labor force participation has also risen. Thus, the unemployment rate remained at 7.1% in October. Greater labor force participation was notable among adult white men and all teens. Improved economic conditions are, no doubt, encouraging people to start looking for work.

Payroll employment gains were stronger in October than they have been since January. That was the last time when the rise in goods-production employment matched gains in services. The pace in service gains remained fairly steady throughout 1985. Goods employment, however, slowly ebbed. But employment rose by 0.4% in both sectors in October. Those increases, together with a rise in the service workweek, generated a very strong 0.5% rise in total hours.

Hiring in motor-vehicle production paced the gain in goods-production employment in October. That producers were adding workers, after the big surge in car buying in August and September, suggests that car sales are not expected to fall off precipitously even though discount-loan incentives have been discontinued.

Labor market improvement in the latest 2 months has been better than anticipated. The Conference Board's *Help-wanted Index*, a measure of labor demand, rose in September. Early returns to the October survey suggest another small increase. That would only bring the index back to its level in June. Some of the recent gains in employment, such as recalls of laid-off auto workers, did not entail increased advertising for new job applicants.

Gains in employment are not expected to remain strong. The *Economic Forecasts* are suggesting that labor market improvement will be quite modest over the next 4 quarters. The median forecast is that the unemployment rate will not drop below its present level through the 4th quarter of 1986.

Despite fairly good increases in wages and salary, personal income (deflated) only rose by 0.1% in September. Declines in interest income (due to lower rates paid on savings), income declines for shopkeepers and landlords, and some fall in government transfer payments, offset increases in wages. Over the last 7 months, wages paid in goods-producing industries rose at a 3% annual rate. Wages rose by 7.8% in other, non-import competing industries. Prior to that, gains in both sectors had been fairly close during this expansion.

Ken Goldstein, Editor

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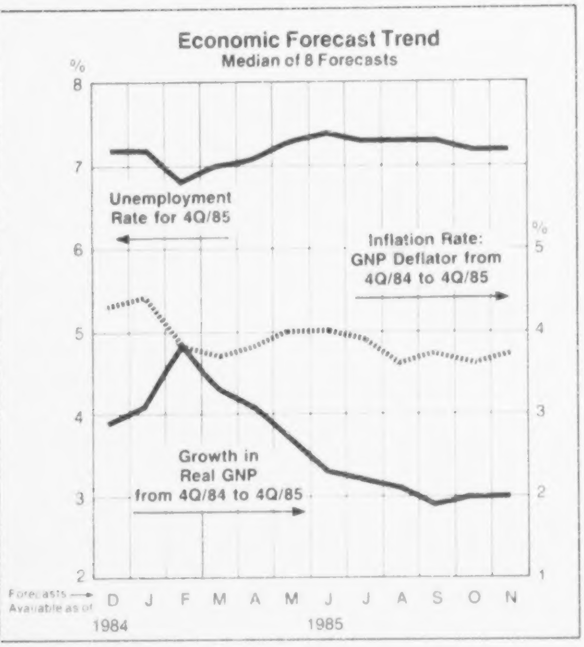


Single-family home sales fell in September for the second month in a row. That decline in sales, coupled with rising home construction, has built up the supply of newly-completed but unsold homes. This slide in sales is a little surprising in that mortgage rates are slowly dropping and the price of new homes was no higher in September than it was at the beginning of this year.

Rising home construction was interrupted in September. Single-unit starts fell 10.4 percent, after climbing back in August to the strong pace set earlier this year. And permits fell by almost 5% in September. Multi-unit starts never did recover to the pace set earlier this year. But, while multi-unit starts fell by 7½% in September, permits rose by 7½ percent. Lower mortgage costs may lift construction activity. Indeed, builders were hiring new workers in September and October.

The value of new construction, deflated, rose by almost 2% in September. Yet the value of new single-unit construction did not rise at all. Multiple-unit construction, additions and alterations on homes and spending on plants and office buildings accounted for most of the sharp rise in September.

The dip in new orders in September comes on the heels of some sharp increases. Orders for defense capital goods, transport equipment and primary metals all fell after strong gains in the prior 3 months. Overall, manufacturing orders were off 1.1% in September but remain 3% higher than the level of last May.

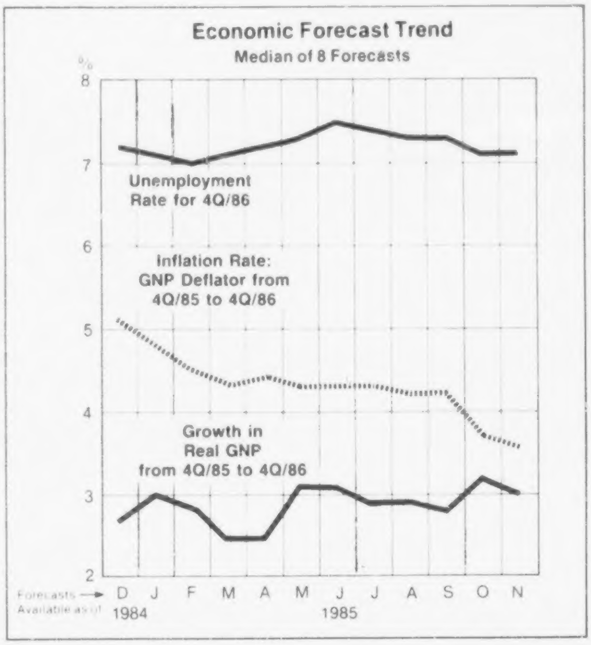
INVENTORY: The surge in auto sales helped to reduce the level of stocks. Durable inventory fell 0.5% in August while nondurables fell only 0.1 percent. Overall, the inventory/sales ratio has dropped over the last two months and was no higher in August than it was last Spring.

INTERNATIONAL MONITOR

Import growth resumed with imports 8% higher in September than 3 months earlier. Agricultural shipments fell by 1½% over this period and fuel shipments were also lower. Manufactured products surged: Nonelectric machinery rose 9%, electric machinery rose 15% and transportation equipment, largely cars and trucks, rose by 11 percent. Car shipments from Canada increased by 32% while shipments from Japan rose by 20% over the last 3 months.

The aim of the G-5 agreement in late September was to help bring down the dollar, through intervention if necessary. That announcement, together with intervention in markets, helped bring about a sharply lower dollar in October. It only declined by 0.3% against the Canadian dollar. The fall, however, was much sharper against other major currencies. The trade-weighted average *Exchange Rate* in October was 118.8 (1980-1982 = 100). That put the dollar 5% lower than it was 1 month earlier, and 13% lower than its peak value back in March. A lower dollar raises the price of imports. Thus, following the big jump in September, the value of imports will increase in October even if volume does not.

Ken Goldstein
November 12, 1985

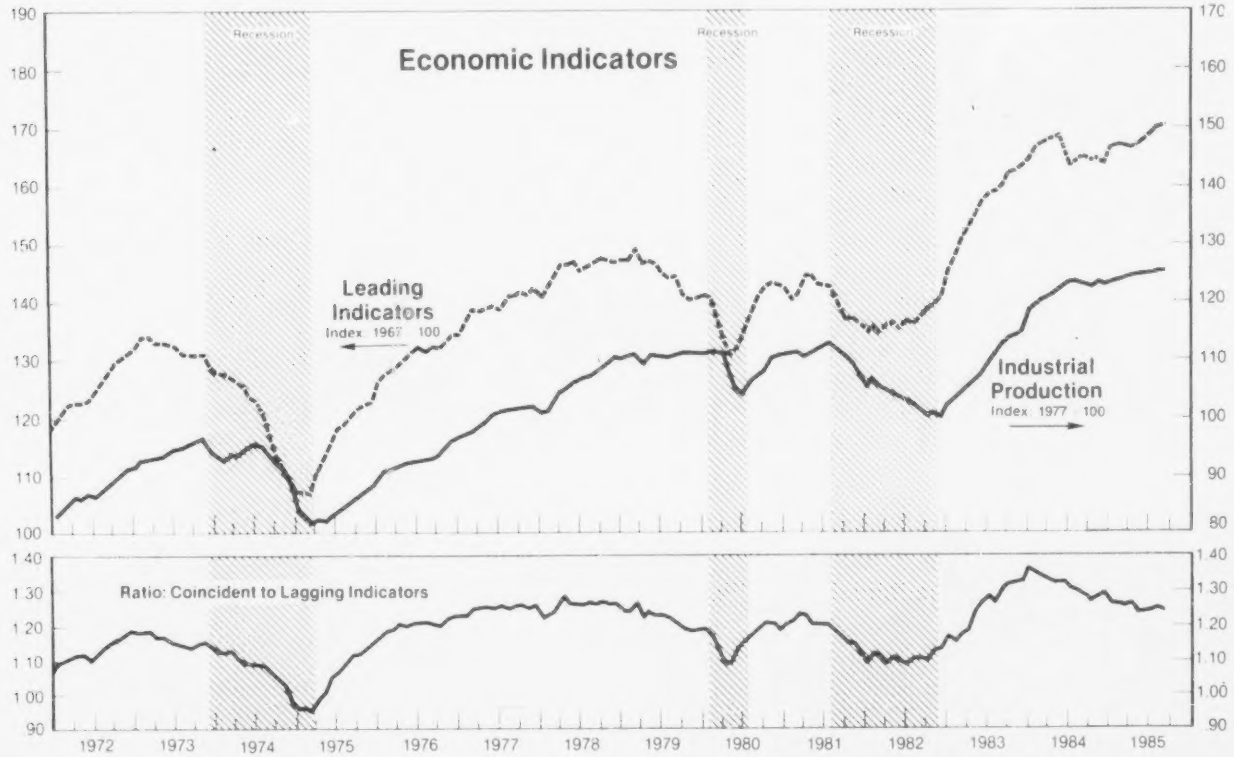


STATUS OF LEADING ECONOMIC INDICATORS

		Rising	Level	Declining	Change over latest three months	Change From Year-Ago
		(Classification based on movement of series over several months)				
Leading Economic Indicators	Sept	X			+ 1.6%	+ 2.8%
Capital Investment Commitments						
*Contracts and orders, plant & equipment (deflated)	Sept	X			+ 4.7%	+ 4.4%
New orders, nondefense capital goods (deflated)	Sept	X			+ 1.3%	+ 2.4%
*New business formation	Sept	X			+ 0.8%	- 1.8%
*Housing permits	Sept	X			+ 5.4%	+ 18.9%
Inventory Investment and Purchasing						
*New orders, consumer goods & materials (deflated)	Sept	X			+ 1.3%	+ 4.6%
*Change in inventory, on hand & order (deflated)	Aug			X	- 1.4%	- 16.1%
Purchasing agents' buying policy	Oct			X	- 4.0%	- 11.0%
*Vendor performance, reported slower deliveries	Oct		X		+ 2.0%	- 6.0%
Industrial raw materials prices	Oct			X	- 1.3%	- 10.8%
*Change in sensitive material prices	Sept			X	- 0.4%	+ 0.5%
Sensitive Financial Flows						
*Money balance (M2 deflated)	Sept	X			+ 1.7%	+ 6.2%
Change in business loans	Sept		X		+ 58.8%	- 37.7%
*Change in credit outstanding	Sept		X		+ 3.4%	- 10.1%
Change in consumer installment debt	Aug		X		- 32.8%	+ 3.5%
Profitability						
Total corporate profits, after tax (deflated)	2nd Q		X		- 0.2%	- 11.4%
*Common stock prices	Oct			X	- 3.8%	+ 12.9%
Marginal Employment Adjustments						
*Average workweek, mfg.	Oct	X			+ 0.4hr	+ 0.2hr
*Initial unemployment claims (inverted)	Oct		X		- 1.0%	+ 4.9%

Note: For a description of the Leading Indicators Composite Index see Bureau of Economic Analysis, *Handbook of Cyclical Indicators*, (Washington D.C.: Government Printing Office) June, 1977.

*These twelve series make up the Composite Leading Index charted below.



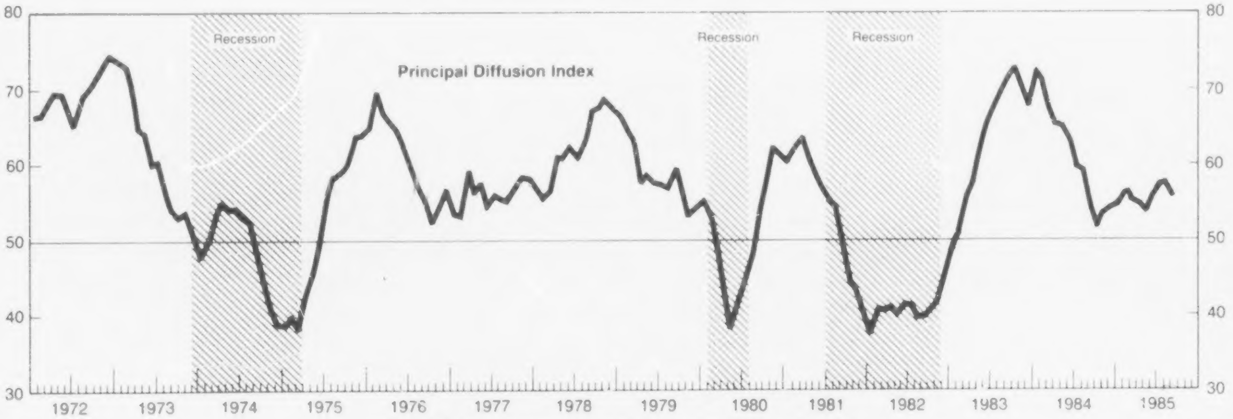
CONFERENCE BOARD DIFFUSION INDEXES

	1984	1985			
DIFFUSION INDEXES	Sep	June	July	Aug.	Sep (e)
Principal Diffusion Index	52.6	56.0	57.3r	57.5r	55.8
Auxillary Diffusion Index	35.9	56.6	54.5r	50.4r	44.6
Industrial Group	51.8	56.3	56.9	59.7r	57.5
Nonindustrial Group	53.5	55.6	57.8	55.2r	54.1
Sense of Diffusion	1	1	1	1	1
SUBGROUP DIFFUSION INDEXES					
Industrial Subgroups					
Production	50.9	54.7	57.7	60.7r	63.2
Labor	53.3	58.8	57.8r	61.3r	58.1
Miscellaneous	49.4	52.6	53.2	54.5	47.4
Nonindustrial Subgroups					
Prices	45.5	46.8	48.1	41.0	34.6
Consumer	65.4	64.5	69.7	73.9	72.2
Building	57.1	62.2	60.3	58.3r	48.7
Miscellaneous	44.4	48.1	50.9	43.8r	52.6

Note: The principal diffusion index reflects the frequency of rises in 20 component series over the 12-month period ending in the month indicated. The index is based on the direction of change, not the magnitude of change, from month to month. Each component series carries equal weight in the index, but the direction of recent changes is weighted more heavily than are earlier changes. If, for example, 10 component series rose and 10 declined in each of the last 12 months, the current index would be higher than 50 because the data over the latest six-month period are weighted more heavily than data from the earlier six-month period. On the other hand, if all 20 series rose in each of the last six months, after declining in each of the prior six months, weighting would make the current index considerably greater than 50. See Morton Ehrlich, "Using The Conference Board's Diffusion Indexes," The Conference Board *RECORD*, July, 1966.

e-estimate r-revised

The Conference Board Diffusion Index



BUSINESS EXECUTIVES' EXPECTATIONS

	1982	*1983*				*1984*				*1985*	
	Nov.	*Feb.*	*May*	*Aug.*	*Nov.*	*Feb.*	*May*	*Aug.*	*Nov.*	*Feb.*	*May*
	Score (scale 0-100)										
Measure of Business Confidence	60	70	76	75	74	70	65	61	57	61	52
1. Appraisal of Current Economic Conditions Compared With Six Months Ago	44	65	76	82	80	76	75	70	57	62	48
2. Expectations for Economy, Six Months Ahead	70	76	78	74	73	67	60	57	57	61	53
3. Expectations for Own Industry, Six Months Ahead	65	70	72	69	70	67	61	57	58	61	55

The Measure of Business Confidence is the average of the scores for the three primary questions in the survey. Respondents have five reply options for each question; a score for each question is determined by assigning the following values to the replies and calculating the average value of the replies to the question: Substantially Better—100; Moderately Better—75; Same—50; Moderately Worse—25; Substantially Worse—0. The score for each question, and the overall Measure of Business Confidence, thus can range from 0 to 100.

CONFERENCE BOARD ESTIMATES OF CAPITAL APPROPRIATIONS AND EXPENDITURES BY MANUFACTURERS AND INVESTOR-OWNED UTILITIES

Billions of Dollars, Seasonally Adjusted

	1983	1984				1985		Percent Change From Previous Year	
	IV	Ir	IIr	IIIr	IVr	Ir	IIp	1984 Actual	1985 Expected**
1000 LARGEST MANUFACTURING FIRMS									
New appropriations	24.262	26.916	34.123	27.309	29.100	29.938	28.605	32	1
Capital expenditures	19.560	20.129	21.739	23.034	24.587	23.354	25.673	19	6
Change in appropriations backlog*	+ 0.928	+ 4.969	+ 10.715	+ 2.885	+ 2.302	+ 4.984	+ 0.511		
Durable Goods									
New appropriations	11.024	13.387	18.702	12.742	15.072	16.737	11.421	59	14
Capital expenditures	8.727	8.874	10.041	11.101	12.223	11.648	13.332	33	9
Change in appropriations backlog*	+ 0.819	+ 3.659	+ 8.212	- 1.107	+ 1.797	+ 4.154	-3.184		
Nondurable Goods									
New appropriations	13.238	13.529	15.421	14.567	14.028	13.201	17.184	11	16
Capital expenditures	10.833	11.255	11.698	11.933	12.364	11.706	12.341	9	4
Change in appropriations backlog*	+ 0.109	+ 1.310	+ 2.503	+ 1.778	+ 0.505	+ 0.830	+ 3.695		
ELECTRIC & GAS UTILITIES									
New appropriations	6.561	5.090	7.843	9.675	11.372	8.851	N.A.	26	
Capital expenditures	8.676	8.737	8.859	9.019	9.170	8.653	N.A.	1	
Change in appropriations backlog*	4.415	6.109	2.971	1.526	3.134	0.077	N.A.		

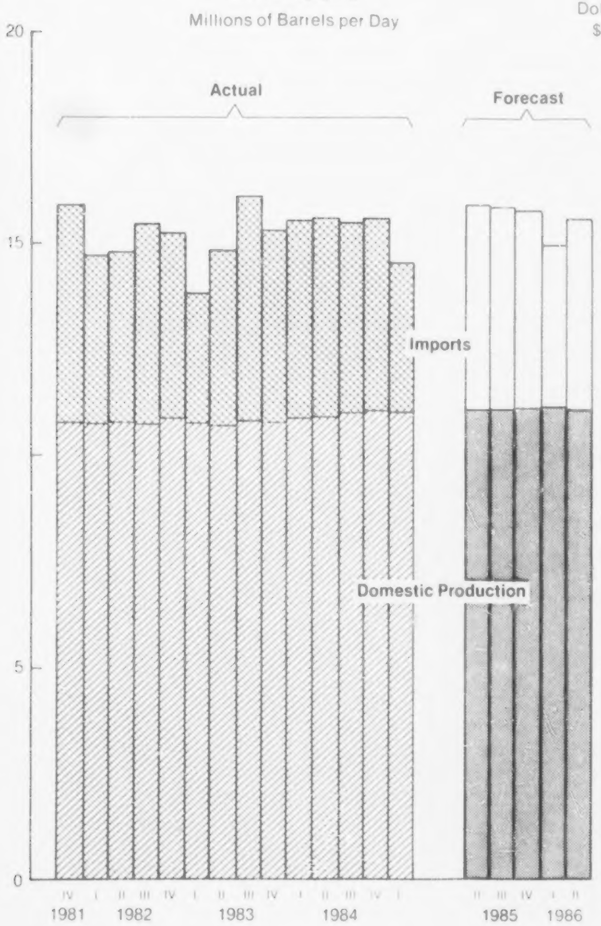
Available on request: Historical data from 1953 (manufacturing) and from 1958 (utilities), and quarterly reports containing text and data for 17 separate manufacturing industries, electric and gas utilities

r—revised p—preliminary

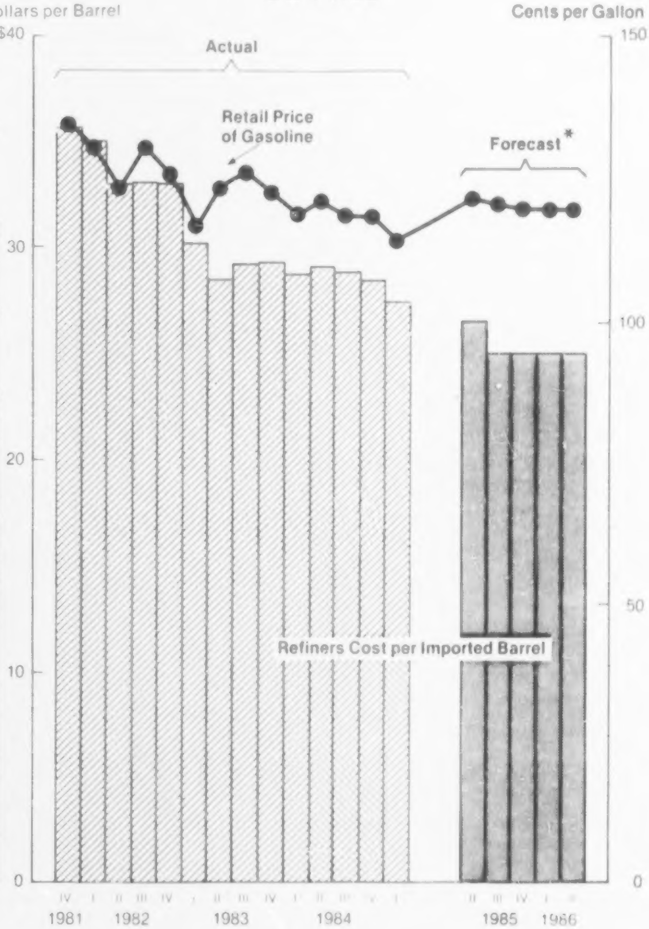
* Change in Backlog New Appropriations - (Expenditures + Cancellations + Other Adjustments)

** Results based on survey respondents' expectations

Oil Supply



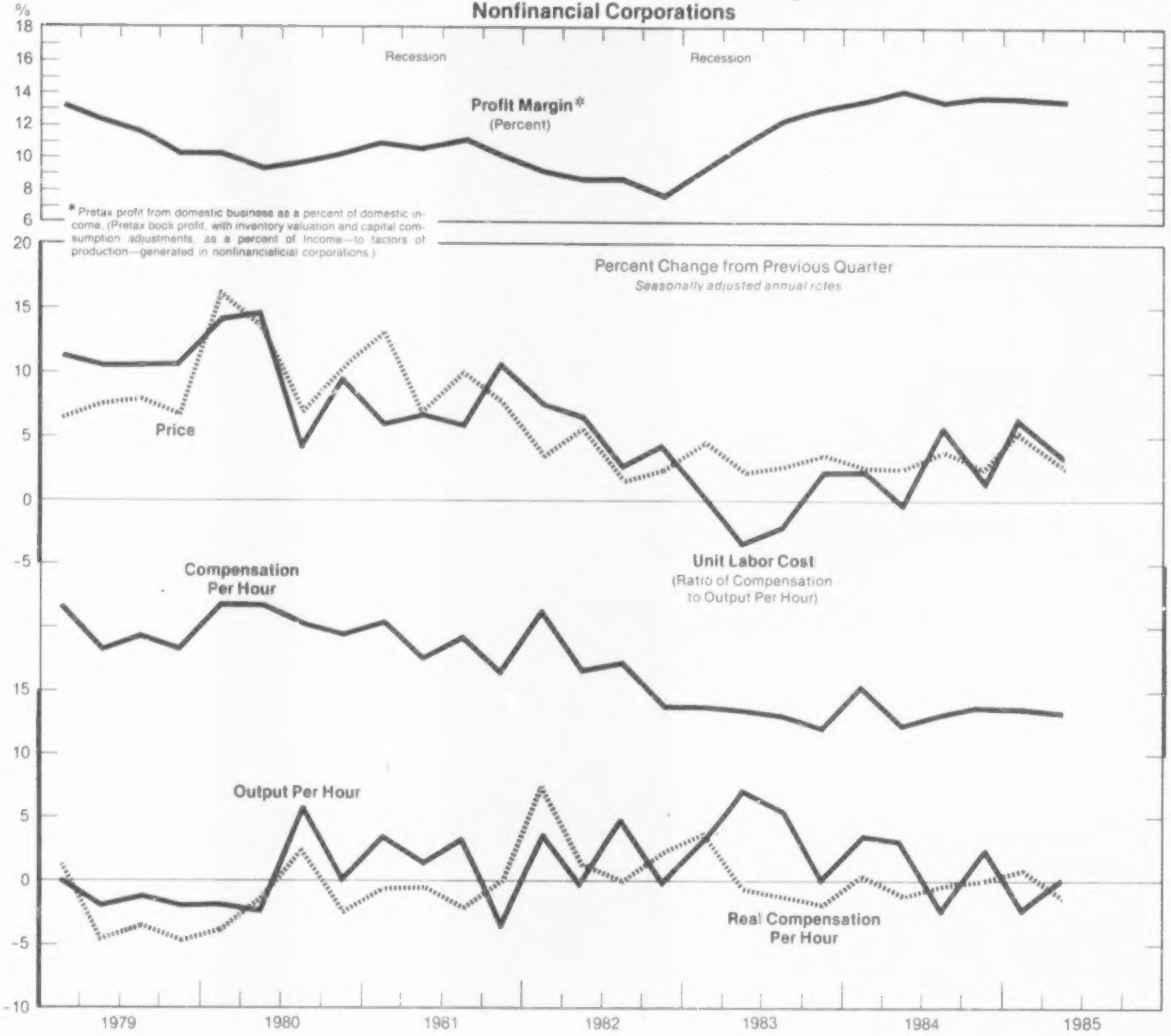
Oil Price



*Source of Forecast is The Energy Information Administration, Department of Energy

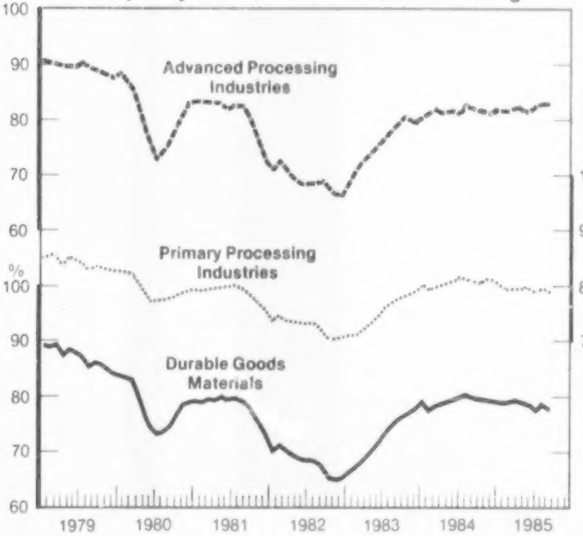
Key Determinants of Profit Margin

Nonfinancial Corporations

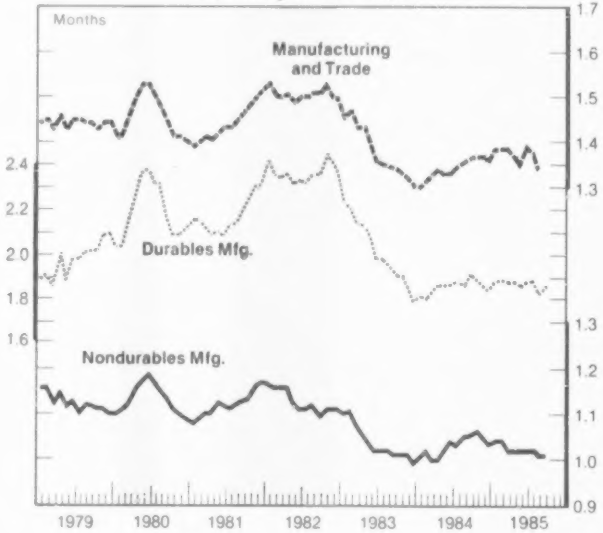


* Pretax profit from domestic business as a percent of domestic income. (Pretax book profit, with inventory valuation and capital consumption adjustments, as a percent of Income—to factors of production—generated in nonfinancialicial corporations.)

Capacity Utilization Rates Manufacturing



Inventory-Sales Ratios



ECONOMIC FORECASTS

			U.C.L.A.[2] Business Forecasting Project		Merrill Lynch[1] Economics Inc.		E.I. duPont[2] de Nemours & Co.		Georgia State University[2]	
Date of Forecast			*Oct., 1985*		*Sept., 1985*		*Oct., 1985*		*Oct., 1985*	
			Level	*Percent Change*	*Level*	*Percent Change*	*Level*	*Percent Change*	*Level*	*Percent Change*
Gross National Product Billions of Current Dollars										
Actual	**1985**	**III**	**$3916.1**	**6.7%**			**$3916.1**	**6.7%**	**$3916.1**	**6.7%**
		IV	3982.9	7.0	$3965.4	5.3%	3968.6	5.5	3991.8	8.0
	1986	I	4041.3	6.0	4026.1	6.3	4017.6	5.0	4067.1	7.8
		II	4097.2	5.6	4094.4	7.0	4081.1	6.5	4141.0	7.5
		III	4169.2	7.2	4172.6	7.9	4155.3	7.5	4197.0	5.5
		IV	4254.8	8.5	4252.5	7.9	4222.9	6.7	4262.4	6.4
	1987	I	4360.1	10.3			4284.6	6.0	4310.8	4.6
		II	4467.7	10.2			4360.6	7.3	4375.7	6.2
		III	4568.1	9.3			4435.7	7.1	4435.5	5.6
		IV	4666.1	8.9			4522.0	8.0	4504.6	6.4
	1985	Annual	3890.7	6.2	3885.9	6.1	3887.1	6.1	3892.9	6.3
	1986	Annual	4140.6	6.4	4136.4	6.4	4119.2	6.0	4166.9	7.0
	1987	Annual	4515.5	9.1			4400.7	6.8	4406.7	5.8
Gross National Product Billions of Constant (1972) Dollars										
Actual	**1985**	**III**	**$1684.8**	**3.3%**			**$1684.8**	**3.3%**	**$1684.8**	**3.3%**
		IV	1698.0	3.2	$1693.4	2.1%	1696.0	2.7	1700.1	3.7
	1986	I	1709.8	2.8	1705.9	3.0	1706.0	2.4	1714.4	3.4
		II	1721.4	2.7	1720.0	3.3	1722.0	3.8	1728.0	3.2
		III	1738.3	4.0	1736.1	3.8	1735.0	3.1	1731.3	.8
		IV	1757.8	4.6	1752.6	3.9	1745.0	2.3	1739.3	1.9
	1987	I	1783.1	5.9			1756.0	2.5	1739.9	.1
		II	1808.6	5.8			1769.0	3.0	1750.0	2.3
		III	1830.3	4.9			1785.0	3.7	1755.3	1.2
		IV	1850.0	4.4			1798.0	2.9	1763.4	1.9
	1985	Annual	1679.4	2.4	1678.2	2.4	1678.9	2.4	1679.9	2.5
	1986	Annual	1731.8	3.1	1728.7	3.0	1727.0	2.9	1728.3	2.9
	1987	Annual	1818.0	5.0			1777.0	2.9	1752.1	1.4
Gross National Product deflator Index, 1972 100										
Actual	**1985**	**III**	**232.4**	**3.3%**			**232.4**	**3.3%**	**232.4**	**3.3%**
		IV	234.6	3.7	234.2	3.1%	234.0	2.7	234.8	4.1
	1986	I	236.4	3.1	236.0	3.2	235.5	2.6	237.2	4.2
		II	238.0	2.8	238.0	3.5	237.0	2.6	239.6	4.1
		III	239.8	3.1	240.3	3.9	239.5	4.3	242.4	4.7
		IV	242.1	3.7	242.6	3.9	242.0	4.2	245.1	4.4
	1987	I	244.5	4.1			244.0	3.3	247.8	4.5
		II	247.0	4.2			246.5	4.2	250.0	3.7
		III	249.6	4.2			248.5	3.3	252.7	4.3
		IV	252.2	4.3			251.5	4.9	255.4	4.4
	1985	Annual	231.7	3.7	231.5	3.6	231.5	3.6	231.7	3.7
	1986	Annual	239.1	3.2	239.3	3.3	238.5	3.0	241.1	4.0
	1987	Annual	248.3	3.9			247.6	3.8	251.5	4.3
Unemployment Rate										
Actual	**1985**	**III**		**7.1%**		**7.1%**		**7.1%**		**7.1%**
		IV		7.1		7.2		7.1		7.1
	1986	I		7.1		7.2		7.1		6.8
		II		7.1		7.1		7.1		6.7
		III		7.1		7.0		7.2		6.7
		IV		7.0		6.9		7.2		6.7
	1987	I		6.8				7.2		6.6
		II		6.6				7.3		6.6
		III		6.4				7.3		6.8
		IV		6.2				7.5		6.9
	1985	Annual		7.2		7.2		7.2		7.2
	1986	Annual		7.1		7.1		7.2		6.7
	1987	Annual		6.5				7.3		6.7

Notes: Percentage changes represent compound annual rates of change from preceding period. Quarterly data are seasonally adjusted.

[1] Based on revised (second revision) second quarter data.

[2] Based on preliminary third quarter data.

ECONOMIC FORECASTS (continued)

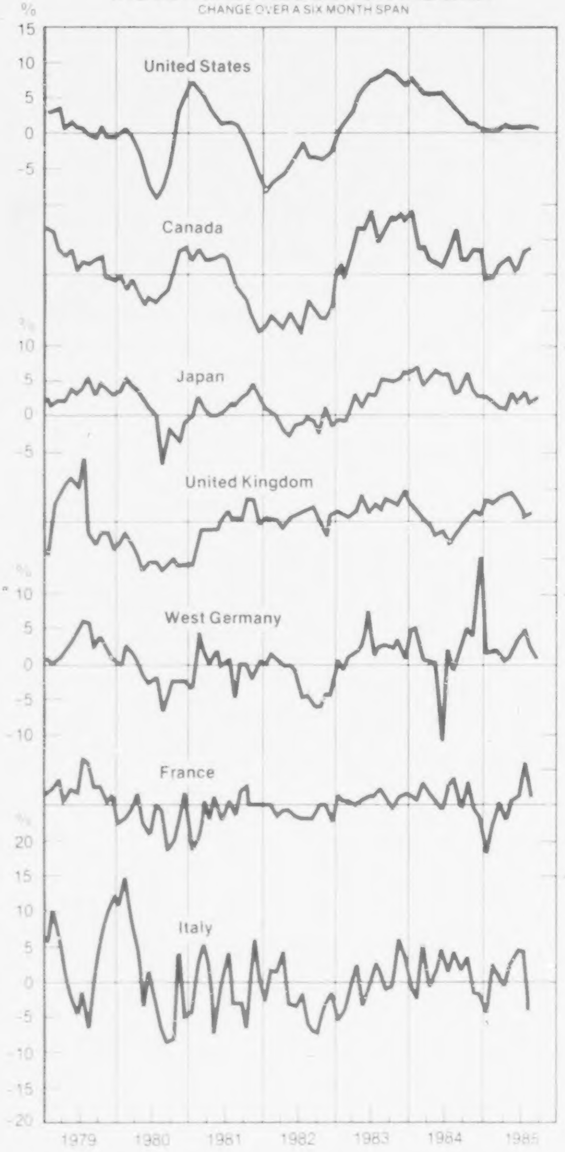
The Conference Board[2]		Chase Econometric Associates, Inc.[2]		Data Resources Inc.[2]		Wharton E.F.A. Inc.[2]				
Oct., 1985		*Oct., 1985*		*Oct., 1985*		*Oct., 1985*		*Date of Forecast*		
Level	*Percent Change*	*Level*	*Percent Change*	*Level*	*Percent Change*	*Level*	*Percent Change*			
								Gross National Product Billions of Current Dollars		
$3916.1	**6.7%**	**$3916.1**	**6.7%**	**$3916.1**	**6.7%**	**$3916.1**	**6.7%**	**III**	**1985**	**Actual**
3976.0	6.3	3973.6	6.0	3971.9	5.8	3972.7	5.9	IV		
4033.0	5.9	4033.7	6.2	4011.8	4.1	4016.0	4.4	I	1986	
4087.0	5.5	4107.8	7.6	4050.9	4.0	4071.3	5.6	II		
4167.0	8.1	4169.3	6.1	4105.2	5.5	4149.9	7.9	III		
4256.0	8.8	4230.9	6.0	4171.7	6.6	4243.3	9.3	IV		
		4315.3	8.2	4255.8	8.3	4336.8	9.1	I	1987	
		4394.4	7.5	4342.4	8.4	4419.5	7.8	II		
		4478.0	7.8	4422.0	7.5	4501.9	7.7	III		
		4563.4	7.8	4499.5	7.2	4582.9	7.4	IV		
3889.0	6.2	3888.4	6.2	3887.9	6.1	3888.1	6.2	Annual	1985	
4135.8	6.3	4135.4	6.4	4084.9	5.1	4120.1	6.0	Annual	1986	
		4437.8	7.3	4379.9	7.2	4460.3	8.3	Annual	1987	
								Gross National Product Billions of Constant (1972) Dollars		
$1684.8	**3.3%**	**$1684.8**	**3.3%**	**$1684.8**	**3.3%**	**$1684.8**	**3.3%**	**III**	**1985**	**Actual**
1698.4	3.3	1696.0	2.7	1693.0	2.0	1694.0	2.2	IV		
1709.9	2.7	1704.4	2.0	1697.0	.9	1700.3	1.5	I	1986	
1719.1	2.2	1718.0	3.2	1702.4	1.3	1708.7	2.0	II		
1735.5	3.9	1726.3	1.9	1713.5	2.6	1724.4	3.7	III		
1754.3	4.4	1735.0	2.0	1727.0	3.2	1744.3	4.7	IV		
		1752.9	4.2	1745.7	4.4	1762.5	4.2	I	1987	
		1767.6	3.4	1764.8	4.4	1778.9	3.8	II		
		1782.5	3.4	1779.9	3.5	1793.2	3.3	III		
		1798.6	3.7	1793.3	3.0	1805.6	2.8	IV		
1679.5	2.5	1678.9	2.4	1678.2	2.4	1678.4	2.4	Annual	1985	
1729.7	3.0	1720.9	2.5	1710.0	1.9	1719.4	2.4	Annual	1986	
		1775.4	3.2	1770.9	3.6	1785.1	3.8	Annual	1987	
								Gross National Product deflator Index, 1972 = 100		
232.4	**3.3%**	**232.4**	**3.3%**	**232.4**	**3.3%**	**232.4**	**3.3%**	**III**	**1985**	**Actual**
234.1	2.9	234.3	3.2	234.6	3.8	234.5	3.6	IV		
235.9	3.0	236.7	4.1	236.4	3.1	236.2	2.9	I	1986	
237.7	3.2	239.1	4.2	238.0	2.6	238.3	3.6	II		
240.1	4.0	241.5	4.1	239.6	2.8	240.7	4.1	III		
242.6	4.2	243.9	3.9	241.6	3.3	243.3	4.4	IV		
		246.2	3.9	243.8	3.7	246.1	4.7	I	1987	
		248.6	4.0	246.1	3.8	248.4	3.9	II		
		251.2	4.3	248.4	3.9	251.1	4.3	III		
		253.7	4.0	250.9	4.0	253.8	4.5	IV		
231.5	3.6	231.6	3.7	231.7	3.7	231.6	3.7	Annual	1985	
239.1	3.3	240.3	3.8	238.9	3.1	239.6	3.4	Annual	1986	
		249.9	4.0	247.3	3.5	249.8	4.3	Annual	1987	
								Unemployment Rate		
	7.1%		**7.1%**		**7.1%**		**7.1%**	**III**	**1985**	**Actual**
	7.1		7.2		7.2		7.2	IV		
	7.2		7.3		7.3		7.4	I	1986	
	7.4		7.2		7.4		7.4	II		
	7.4		7.1		7.5		7.3	III		
	7.2		7.0		7.6		7.2	IV		
			6.9		7.5		7.0	I	1987	
			6.6		7.4		6.8	II		
			6.5		7.3		6.7	III		
			6.4		7.3		6.7	IV		
	7.2		7.2		7.2		7.2	Annual	1985	
	7.3		7.2		7.4		7.3	Annual	1986	
			6.6		7.4		6.8	Annual	1987	

Please Note: In the interest of speeding the data contained in this publication to you, these series are available on-line through The Conference Board Data Base. For more information, contact Linette Stein Waters or Ken Goldstein at (212) 759-0900.

SELECTED INTERNATIONAL COMPARISONS

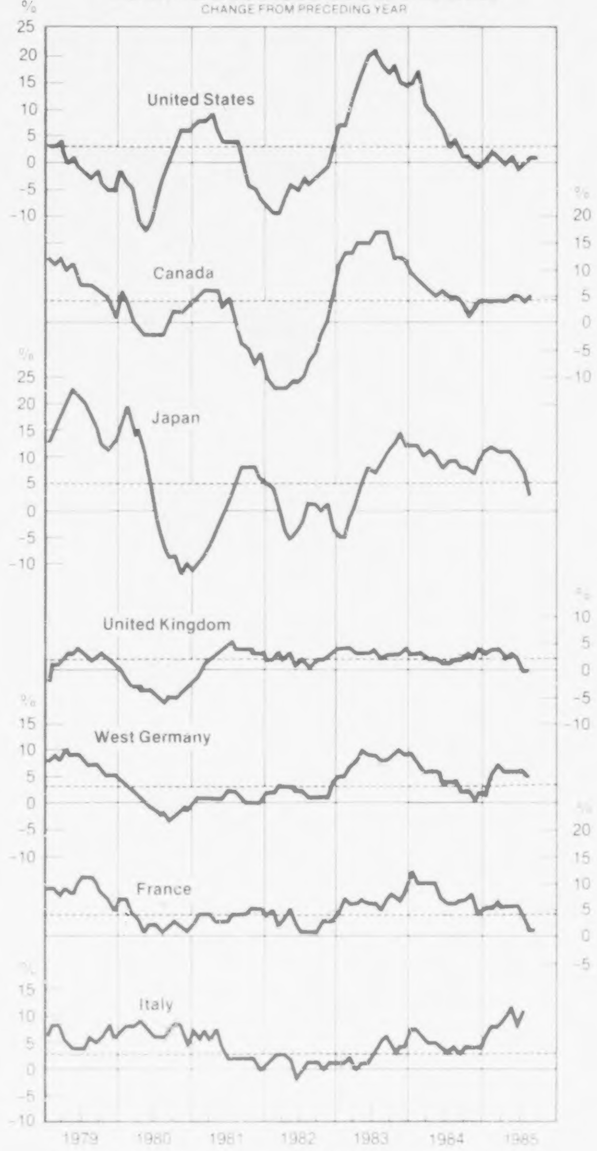
INDUSTRIAL PRODUCTION INDEXES

CHANGE OVER A SIX MONTH SPAN



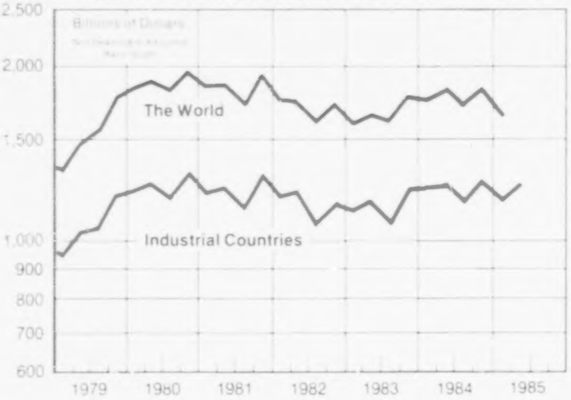
LEADING BUSINESS CYCLE INDEXES

CHANGE FROM PRECEDING YEAR

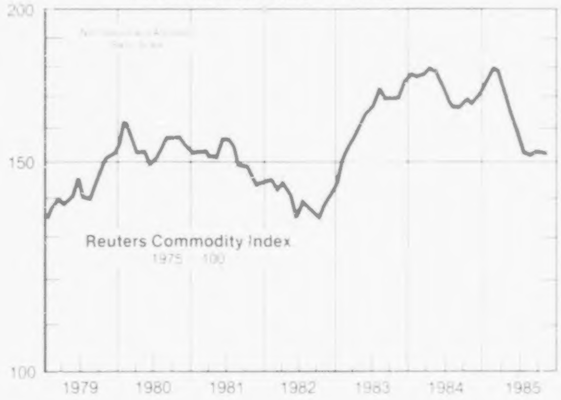


Source: Center for International Business Cycle Research, Columbia University

MERCHANDISE TRADE: VALUE OF EXPORTS

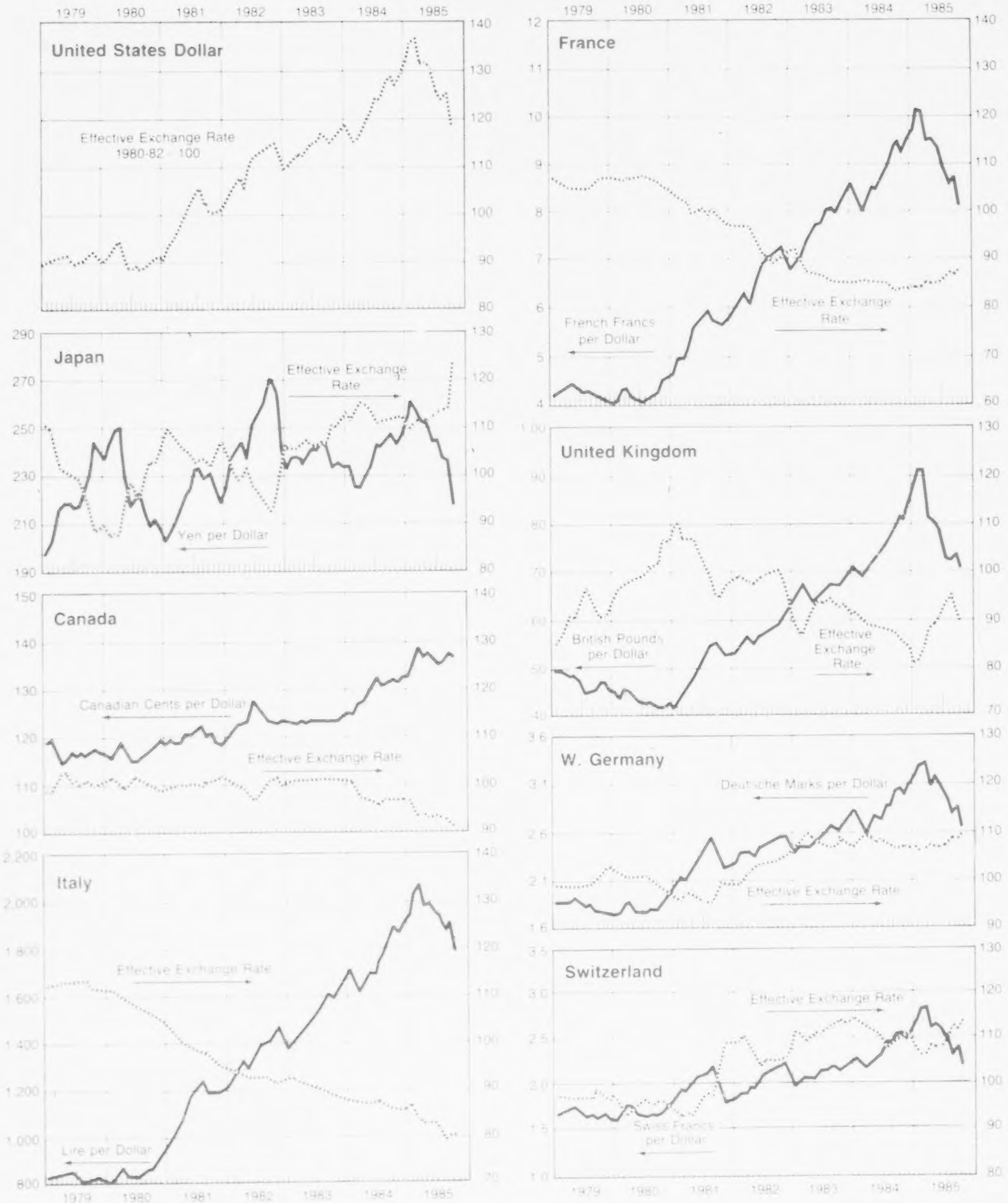


RAW MATERIALS PRICES



Foreign Exchange Rates

Indexes, 1980-82 = 100



Note: Nominal Effective Exchange Rates, index numbers 1980-82 = 100. Each index shows a currency's trade-weighted appreciation (+) or depreciation (−) against 15 other major currencies using averages of daily noon spot exchange rates in New York and bilateral trade weights based on 1980 trade in manufactures.

Source: Morgan Guaranty Trust Co.

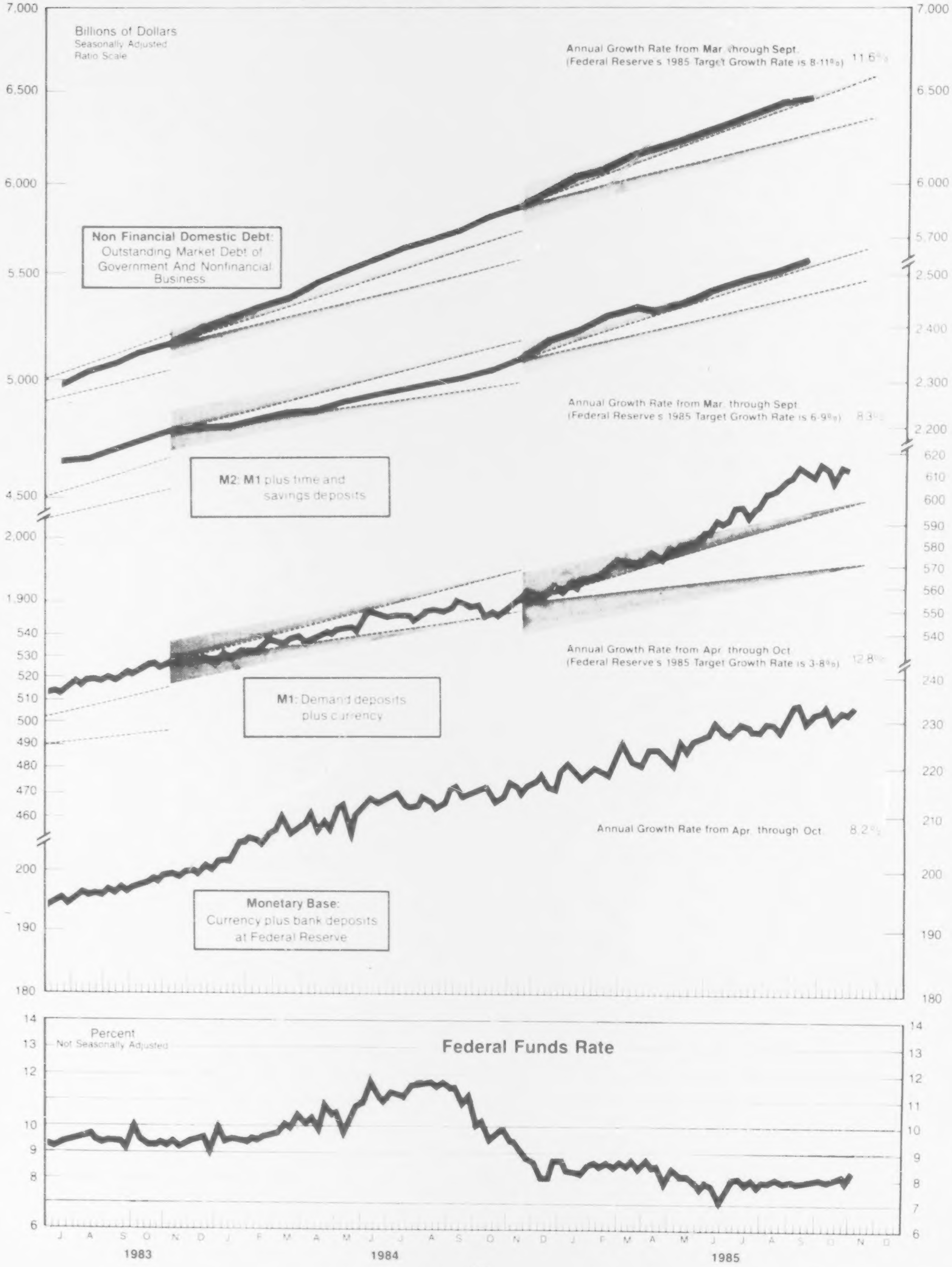
PERSPECTIVE ON THE FEDERAL BUDGET
(Billions of Current Dollars)

	Fiscal 1986		Fiscal 1987		Fiscal 1988	
	Administration's Latest Estimate	Congress's Latest Estimate	Administration's Latest Estimate	Congress's Latest Estimte	Administration's Latest Estimate	Congress's Latest Estimate
	(8/30/85)	(8/15/85)	(8/30/85)	(8/15/85)	(8/30/85)	(8/15/85)
Receipts	$ 779.8	$ 790.0	$ 850.1	$ 858.0	$ 937.0	$ 939.0
Outlays	957.7	965.0	989.4	1,021.0	1,036.8	1,082.0
Deficit	-177.8	175.0	-139.3	163.0	-99.8	-143.0
Receipts by source	779.8	790.0	850.1	858.0	937.0	939.0
Individual income taxes	356.2	362.5	389.8	395.0	429.8	434.0
Social security	287.2	285.3	309.5	305.0	343.8	338.0
Corporate income taxes	68.0	72.5	81.2	87.0	94.4	96.0
Other receipts	68.4	69.7	69.6	71.0	69.0	71.0
Outlays by function	957.7	965.0	989.4	1,021.0	1,036.8	1,082.0
Social security and medicare	268.4	270.0	287.0	290.4	308.3	312.9
National defense	267.1	267.1	285.2	285.2	303.9	304.0
Income security	115.2	121.1	119.4	124.2	124.1	130.6
Health	34.6	34.9	35.7	37.8	37.1	40.7
Education and manpower	30.4	30.8	28.4	31.3	28.2	32.1
Transportation	26.1	25.8	25.6	27.7	24.7	28.1
Veterans' benefits	26.6	26.8	26.8	27.3	27.7	27.7
International affairs	21.3	18.9	19.1	17.3	18.0	16.4
Agriculture	16.4	16.2	10.6	16.2	9.5	13.7
Natural resources	12.4	13.0	11.6	12.8	11.5	13.0
General science	9.4	8.9	9.4	8.9	9.6	9.0
Justice	6.6	6.8	6.7	7.0	6.7	7.2
Community development	7.4	8.0	6.5	7.3	5.9	6.8
General government	5.0	5.5	5.0	5.2	5.1	5.5
Commerce, housing credit	2.8	3.7	- 1.0	3.4	- 1.6	5.2
Energy	3.8	5.6	3.1	5.2	1.8	4.5
Revenue sharing	2.9	6.5	1.7	3.2	1.8	2.1
Interest	138.1	137.0	147.0	149.0	151.8	165.0
Allowances	0.0	- 1.7	0.8	- 1.7	1.9	- 0.5
Offsetting receipts	-36.9	-39.9	-39.0	-37.1	-39.2	-41.9

ECONOMIC ASSUMPTIONS OF THE BUDGET

GNP						
Current Dollar	$4,236.7	$4,217.0	$4,589.4	$4,548.0	$4,959.3	$4.905.0
Constant (1972) Dollar	1,754.6	1,743.0	1,824.8	1,802.0	1,897.6	1,865.0
Percent change in						
Current dollar	8.5%	8.0%	8.3%	7.8%	8.1%	7.9%
Constant (1972) dollar	4.2	3.6	4.0	3.4	4.0	3.5
Implicit price deflator	4.1	4.2	4.2	4.3	3.9	4.2
Consumer price index	4.2	4.5	4.2	4.4	3.9	4.2
91-Day T bill rate	7.5	7.4	7.0	7.2	5.9	7.2
Unemployment rate	6.8	7.0	6.6	6.8	6.3	6.6

Money Supply and Monetary Growth Targets



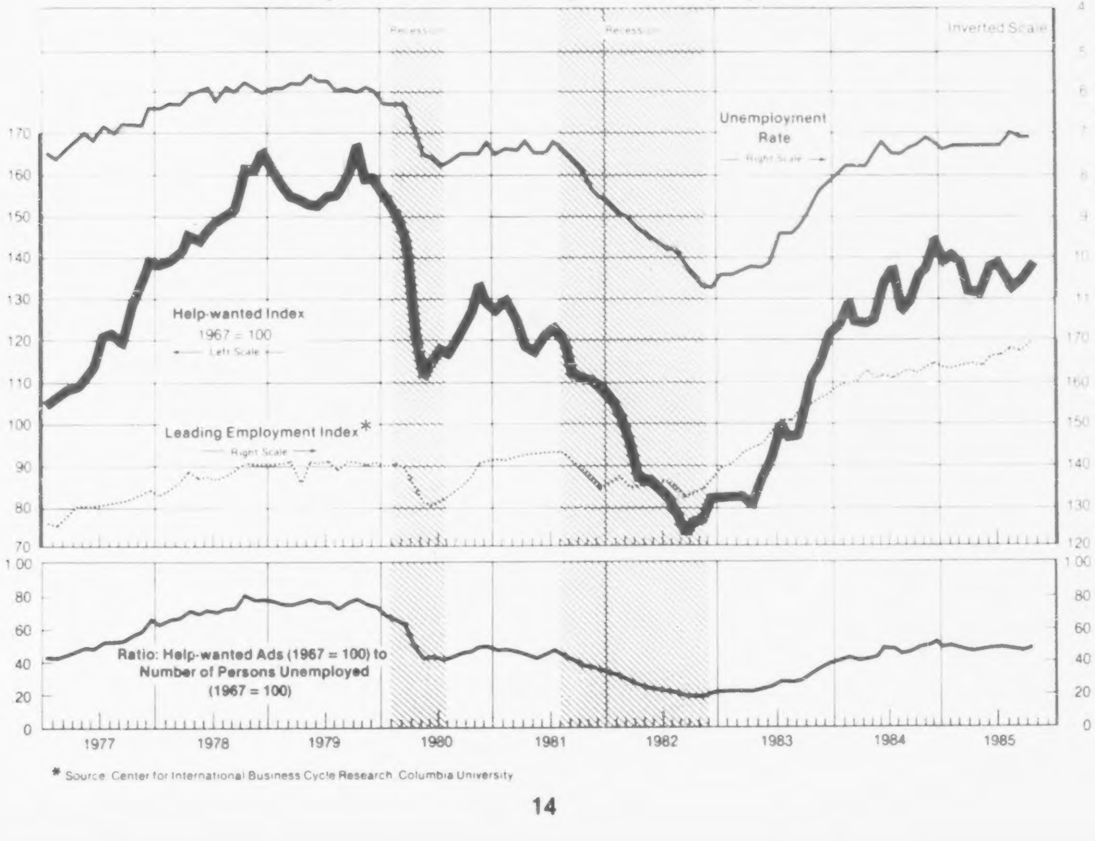
CONFERENCE BOARD HELP-WANTED ADVERTISING INDEXES

Seasonally Adjusted Indexes, 1967 = 100

	1985			1984
Locality	Sept.	Aug.	July	Sept.
National Index	136	133	139	129
New England	147	145r	156r	144
Boston	156	153	167	153
Hartford	157	154r	158r	161
Providence	104	112	116	96
Middle Atlantic	69	68	71	62
Albany	163	159	176	128
Allentown	191	198	213	150
New York	57	54	54	54
Philadelphia	n.a.	59	64	55
Pittsburgh	71	67	75	55
Rochester	79	86	88	70
Syracuse	112	119	127	100
East North Central	85	86	90	80
Chicago	95	98	101	96
Cincinnati	118	129	132	97
Cleveland	55	57	63	57
Columbus	134	128	131	110
Dayton	78	75	81	59
Detroit	64	60	64	56
Gary	110	116	120	100
Indianapolis	85	84	89	80
Milwaukee	54	53	59	57
Toledo	113	107	112	87
West North Central	92	84	93	85
Kansas City	153	123	164	117
Minneapolis	73	68	71	80
Omaha	118	124	112	122
St. Louis	67	65	67	60
South Atlantic	176	164r	[illegible]	147
Atlanta	273	262	[illegible]	275
Baltimore	192	153	126	88
Charlotte	141	131	140	137
Jacksonville	205	213	210	176
Miami	79	74	72	82
Richmond	119	116r	122	93
Washington, D.C.	165	163	167	147
East South Central	139	139r	154	118
Birmingham	149	148	156	121
Knoxville	182	192	194	174
Louisville	89	84	95	70
Memphis	109	103r	110	104
Nashville	197	203	250	154
West South Central	219	228	247	261
Dallas	289	301	340	354
Houston	273	284	299	332
New Orleans	96	98	111	119
Oklahoma City	126	129	145	144
San Antonio	192	209	206	196
Tulsa	142	137	153	159
Mountain	310	307	330	301
Denver	200	198	223	201
Phoenix	445	438	461	419
Salt Lake City	334	332	353	330
Pacific	204	197r	198	194
Los Angeles	148	144	144	148
Sacramento	345	359	383	309
San Bernadino	220	200r	216	167
San Diego	475	422	431	431
San Francisco	206	207	203	202
Seattle	196	190	182	191
Percentage of papers with rising volume	63	14	39	55
Unemployment rate	7.1	7.0	7.3	7.4

Note: For definitions and method, see Noreen Preston, *The Help-wanted Index* (New York: The Conference Board, 1977).
r—revised N.A.—not available

Help-wanted Advertising and Unemployment



* Source: Center for International Business Cycle Research, Columbia University

CONFERENCE BOARD INDEXES OF CONSUMER CONFIDENCE AND BUYING PLANS

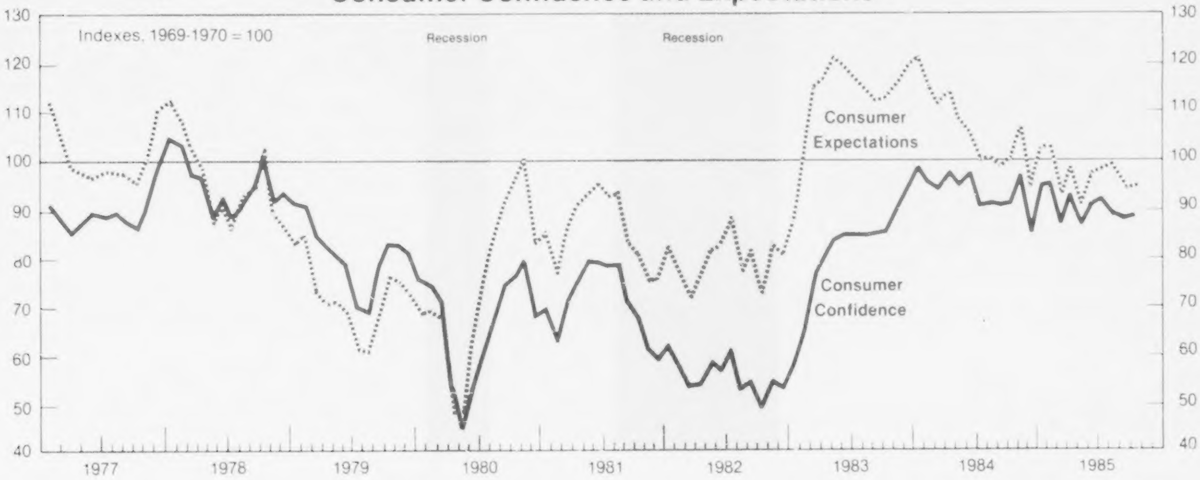
Indexes, 1969-1970 = 100
(Seasonally Adjusted)

	Jan.	Feb.	Mar.	Apr.	May	June	July	Aug.	Sept.	Oct.	Nov.	Dec.
Consumer Confidence Index												
1983	58.0	65.8	77.1	80.3	84.0	84.9	84.7	84.6	84.8	85.7	90.2	95.1
1984	98.4	95.7	94.5	97.9	95.2	97.1	91.0	91.9	91.0	91.5	96.8	85.9
1985	95.4	95.8	87.8	93.1	87.2	91.5	92.1	89.8	88.2r	88.9p		
Buying Plans Index												
1983	71.9	75.8	87.9	86.0	85.2	103.6	100.5	89.9	113.5	109.9	108.9	108.5
1984	101.4	108.0	103.9	99.4	105.1	121.6	94.5	100.6	93.3	98.5	102.7	96.2
1985	102.3	107.1	113.8	101.4	88.8	107.6	97.7	105.3	119.5r	111.2p		

Confidence Index measures consumer optimism in appraising economic conditions. Buying plans Index is based on intentions to purchase cars, homes, appliances. Expectations Index, (charted below), measures consumer attitudes with regard to business conditions and employment and income levels six months hence. Data prior to May, 1981 based on survey of families. Data after May, 1981 are based on survey of households. A description of these indexes appears in The Conference Board RECORD, September, 1973.

Surveys are conducted by National Family Opinion, Inc.　　p—preliminary　　r—revised

Consumer Confidence and Expectations



CONFERENCE BOARD ESTIMATES OF DISCRETIONARY PURCHASING POWER AND SPENDING

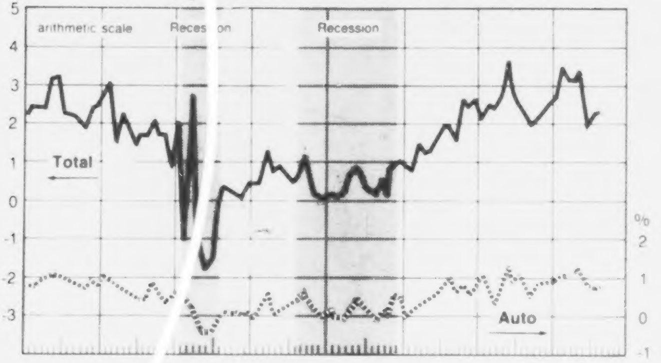
Billions of Current Dollars (Seasonally Adjusted at Annual Rates)

		Aggregate Purchasing Power (APP)	Discretionary			Ratios			
			Purchasing Power (DPP)	Spending (DSP)	Saving (DSA)	(DSP)/(DPP)	(DSP)/(APP)	Total Saving/ (APP)	Net Saving/ Income After Taxes
1978	IV	$1714.9	$604.0	$437.0	$167.0	72.3%	25.5%	14.0%	8.5%
1979	I	1758.5	621.0	435.3	185.8	70.1	24.8	14.0	7.5
	II	1846.3	660.4	433.4	226.9	65.6	23.5	16.3	10.5
	III	1865.0	651.0	451.8	199.2	69.4	24.2	14.2	8.8
	IV	1903.1	642.3	466.9	175.3	72.7	24.5	13.1	9.0
1980	I	1999.7	702.4	479.4	223.0	68.3	24.0	15.2	10.4
	II	1942.3	600.7	454.5	146.3	75.7	23.4	12.5	11.4
	III	2085.1	698.2	474.4	223.8	67.9	22.8	15.5	11.8
	IV	2147.6	735.9	497.5	238.3	67.6	23.2	14.9	10.8
1981	I	2180.1	732.3	520.4	211.9	71.1	23.9	13.6	10.0
	II	2235.7	740.6	514.5	226.0	69.5	23.0	14.7	10.4
	III	2317.8	771.2	525.3	246.0	68.1	22.7	15.5	12.4
	IV	2289.4	739.2	520.2	219.0	70.4	22.7	13.7	12.0
1982	Ir	2293.4	719.1	530.1	189.0	73.7	23.1	12.2	10.7
	IIr	2344.3	731.9	542.9	189.0	74.2	23.2	12.8	10.5
	IIIr	2424.8	782.9	549.5	233.4	70.2	22.7	14.1	12.3
	IVp	2458.0	799.0	577.0	222.0	72.2	23.5	13.3	10.3

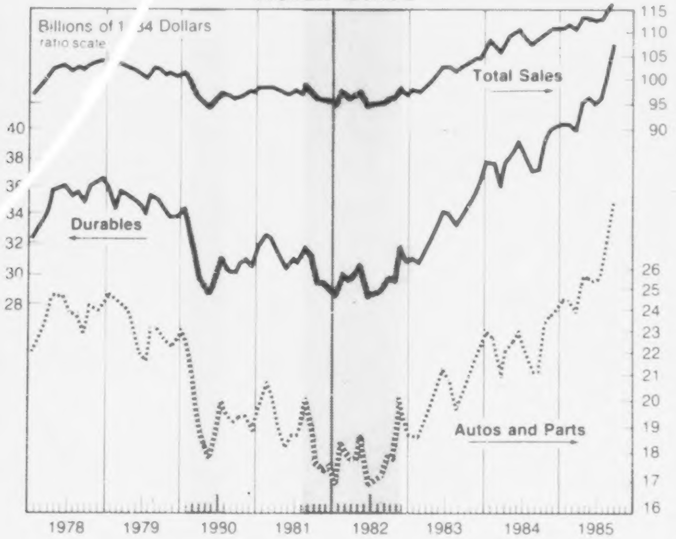
Note: For an explanation of discretionary purchasing power and spending, see the Sept., 1981 issue of the *Statistical Bulletin*.

P—Preliminary　　R—Revised

Consumer Installment Debt Expansion ÷ Personal Income



Retail Sales



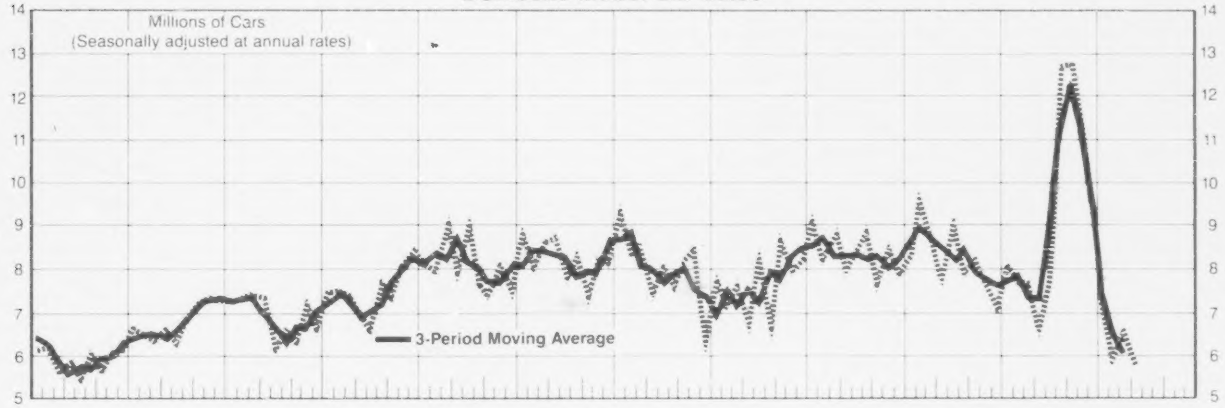
CONFERENCE BOARD ESTIMATES OF NEW AUTO SALES, BY 10-DAY PERIODS

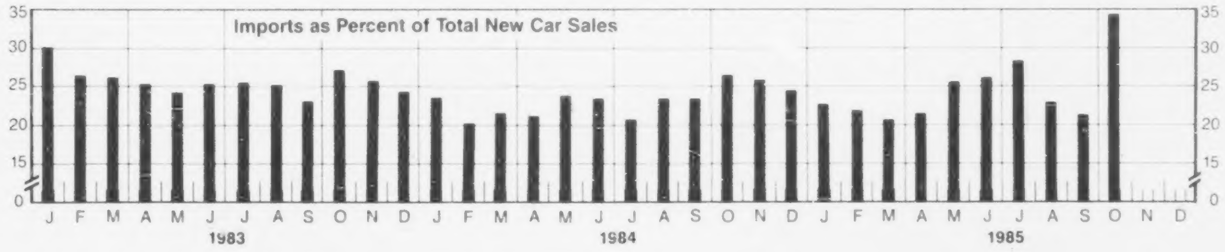
Millions, Seasonally Adjusted at Annual Rate

Periods		1982	1983	1984	1985
January:	1-10	5.53	6.17	8.16	9.14
	11-20	5.59	6.20	7.84	8.16
	21-31	5.14	5.60	9.15	8.78
February:	1-10	6.10	5.86	7.79	7.97
	11-20	6.03	5.30	9.17	8.28
	21-28(29)	6.06	6.07	7.60	8.81
March:	1-10	5.46	5.61	7.35	7.60
	11-20	5.68	6.10	8.13	8.55
	21-31	6.17	6.19	7.35	7.86
April:	1-10	5.06	6.69	8.88	8.30
	11-20	6.14	6.52	7.96	9.76
	21-30	5.62	6.35	8.60	8.73
May:	1-10	6.31	6.67	8.75	7.65
	11-20	6.53	6.30	7.74	9.13
	21-31	5.77	6.97	8.43	7.88
June:	1-10	6.00	7.23	7.22	8.35
	11-20	4.24	7.34	8.25	7.67
	21-30	4.56	7.28	8.10	7.10
July:	1-10	4.98	7.25	9.51	8.09
	11-20	5.56	7.36	8.32	7.71
	21-31	5.34	7.43	8.59	7.69
August:	1-10	5.27	7.39	7.33	6.59
	11-20	5.00	6.11	8.07	7.69
	21-31	5.72	6.65	7.43	12.69
September:	1-10	5.16	6.26	8.13	12.75
	11-20	6.75	7.21	8.52	11.27
	21-30	6.11	6.55	6.03	9.59
October:	1-10	5.22	7.52	7.83	7.03
	11-20	5.36	7.56	7.07	5.88
	21-31	5.91	7.45	7.70	6.62
November:	1-10	6.56	6.96	6.60	5.78
	11-20	6.98	6.55	8.44	
	21-30	6.48	7.62	6.57	
December:	1-10	6.03	7.30	8.75	
	11-20	6.45	8.09	7.96	
	21-31	6.64	8.48	8.19	

Note: Dealer sales exclude exports and foreign-model cars (unless manufactured domestically.) Data from Ward's Automotive Reports are seasonally adjusted by The Conference Board. Prior data available upon request.

Domestic-Model Car Sales





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STATISTICAL BULLETIN

Volume 18, No. 12, December, 1985

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The Conference Board

THE CONFERENCE BOARD'S STATISTICAL BULLETIN COMMENTARY

* PERSONAL INCOME GROWTH STILL RESTRAINED
* CONSUMER SPENDING SLOWS A BIT, AFTER AUTO BINGE
* INVENTORY REMAINS IN CHECK
* CONSTRUCTION FALTERS
* TRADE DEFICIT STUCK AT $10 BILLION PER MONTH
* ANOTHER SHARP DROP IN THE DOLLAR
* OUTLOOK * MODERATE GROWTH CONTINUES INTO 1986

OVERVIEW: The current expansion is swinging into its fourth year—which makes it the third longest episode in the last 3 decades. Sustaining moderate growth at this stage quite naturally means overcoming weaknesses and imbalances. The median of the **Economic Forecasts** for real GNP growth in the first quarter of 1986 is only a 2.3% annual rate, seasonally adjusted. But that median quickens to 2.7% in the second quarter. These numbers suggest that the economy will overcome some weakness, and develop momentum. In fact, the median for the third and fourth quarters of 1986, is for quite robust growth of 3.4% and 3.8% respectively.

More optimistic forecasts emphasize the stock market rally, which improves wealth; strong growth in money supply and liquidity; sufficient reduction in interest rates; and trade-account improvements as the dollar continues to fall.

To generate faster growth, those positive forces will have to spur consumer and/or business spending. Consumers are saddled with debt, experience slow income growth and have not changed their assessment of economic conditions for some time. Business is operating with a fair amount of idle capacity, constrained profit margins, and an inability to raise prices. Executives have indicated an intention to scale back investment plans. Unbridled optimism about prospects for the fourth year of expansion, then, seems unwarranted. Another year of moderate growth, but with sizable downside risks, is more plausible.

DOMESTIC MARKETS MONITOR

The labor market has clearly improved over the last three months. And the momentum may carry into the new year. Although the unemployment rate was 7% in November, the same rate as in August, almost 750,000 new jobs opened up over the last three months. Job growth has benefitted teens and adult women more than adult men. Half of the new jobs were in business services, health services, and state and local government. Manufacturing employment rose by only 10,000 in these 3 months. But that reverses a year-long trend of job loss.

Total hours worked in the nonagricultural sector were 2.8% higher, at an annual rate, in the last two months of the fourth quarter than in the first two months of the third quarter. That labor input number suggests that the resumption of moderate growth, which began this Summer, has carried into the final months of the year.

Job growth may well continue into the new year. The Conference Board's **Help-wanted Index**, a measure of labor demand, rose to 140 (1967 = 100) in October, from 133 in August. Early returns to the November survey suggest it may rise another few points. While that gain in ad volume still leaves the index below its level a year ago, it does suggest that the faster pace of economic activity in the second half of 1985 has created job opportunities and may continue to do so at least into the early months of 1986.

Wage-gain restraint is not the only reason why personal-income growth remains sluggish. Through October, wages in commodity-producing industries rose 4.7%, annual rate, over the last 3 months. Wages in other industries, however, rose at a 7.1% rate—about the pace of gains in rents, dividends and shopkeepers' income. Interest-rate declines lower interest earnings by 3.5% and transfer-program payments (including social security) have decreased by 2.7% over the last 3 months.

Not surprisingly, consumer installment credit increased much more slowly in October than it had in the prior 3 months. The surge in auto loans heavily affected the credit numbers in August and September. Actually, nonauto debt began to subside in August and has continued to do so through October.

Ken Goldstein, Editor

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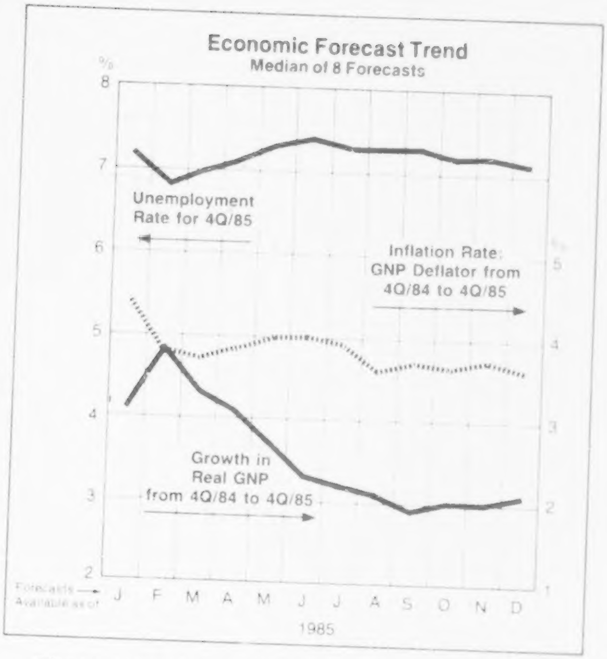


The slowing of consumer debt helped reduce the ratio of **Consumer Installment Credit Expansion to Personal Income.** That ratio had almost doubled in August and September—again reflecting the surge in car demand. Despite a drop in October, the ratio was still higher that month than in July—or before the big rise in auto loans go underway.

Single-family home sales fell again in September. Over the last three months, sales have dropped by almost 13 percent. Despite a lackluster pace of construction, inventory of unsold homes has risen sharply. Given the decline in home buying, it is not surprising that the median sales of homes hasn't appreciated at all during 1985.

The value of new, residential construction was 6% higher, on a deflated basis, in September than it was last May. Nonresidential construction, however, increased very little over this period.

Hours worked in manufacturing rose by 0.3% in October. But industrial production was unchanged. Auto output fell over the last two months, after a surge in August. Defense- and space-related output also fell in October—as did production of mines and utilities.

Production may be slowed by a drop in new orders. Defense orders, which had been surging, fell sharply in September and October. But nondefense, capital goods were no higher in October than two months earlier. And orders for nondurables were a little lower.

Inventory accumulation remains a thing of the recent past. Inventory did rise by 0.2% in September. But stocks were still lower than two months earlier.

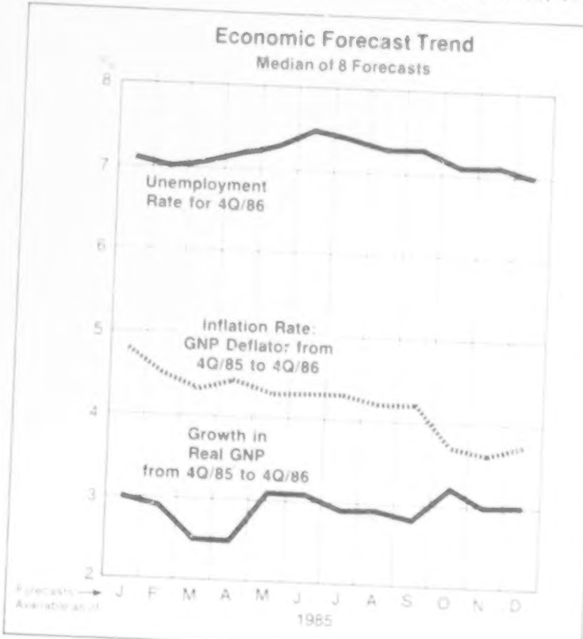
Capital investment is still rising but that may soon change. The Conference Board's **Capital Appropriations and Expenditures** survey showed that the nations 1,000 largest manufacturers invested 4.2% more in plant and equipment in the third quarter. But appropriations—approval of new spending plans—fell for the second straight quarter. The combination of more spending and a drop in appropriations reduced the backlog of approved projects—the first time the backlog fell since the expansion began.

For the first time since April, commodity prices rose in November. Food prices, which had been falling all year, rose sharply in November. Raw industrial prices, however, continued their year-long decline.

INTERNATIONAL MONITOR

In the two months since the signing of the G-5 agreement, the dollar has dropped sharply. Although it rose 0.4% against the Canadian dollar, our largest trading partner, the dollar's trade-weighted average **Exchange Rate** was 6.7% lower in November than two months earlier. The dollar fell 7½% against the lira and 9½% against the French franc and the mark. But against the yen, it was down 16% in just the last two months.

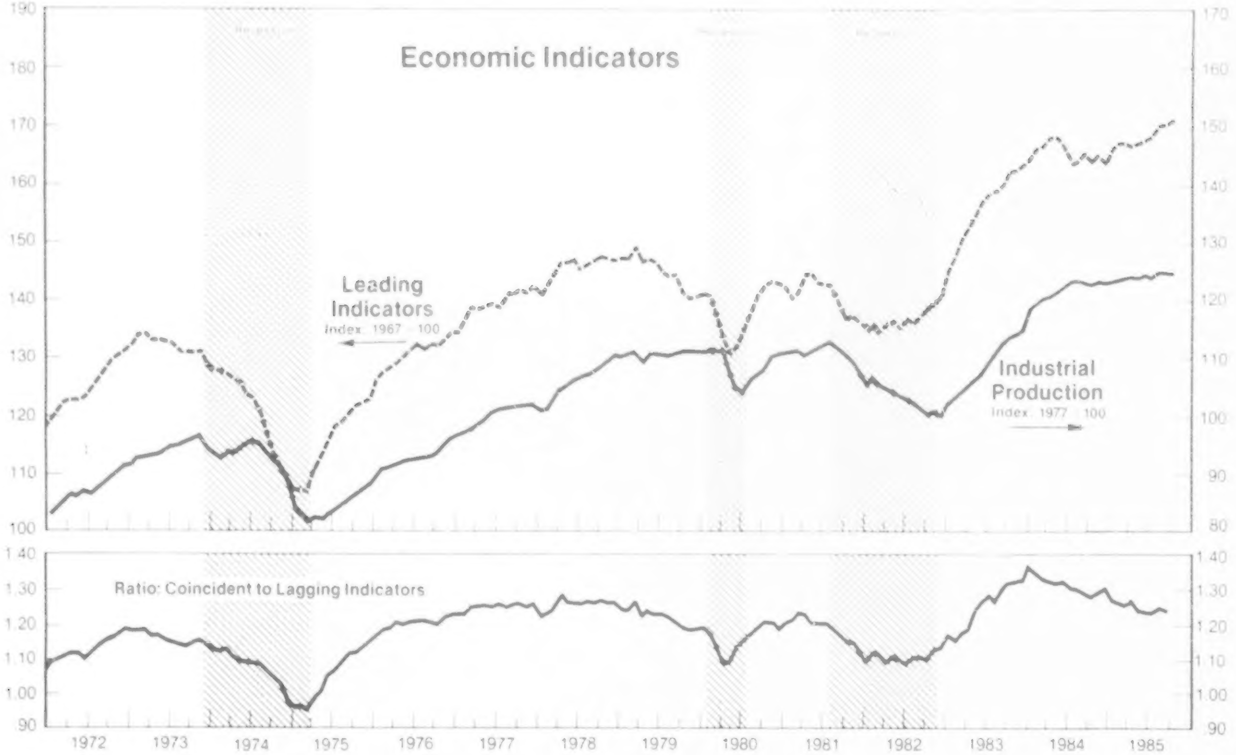
Ken Goldstein
December 12, 1985



STATUS OF LEADING ECONOMIC INDICATORS

		Rising	Level	Declining	Change over latest three months	Change From Year-Ago
		(Classification based on movement of series over several months)				
Leading Economic Indicators	Oct	X			+ 1.5%	+ 4.2%
Capital Investment Commitments						
*Contracts and orders, plant & equipment (deflated)	Oct	X			+ 2.3%	+ 5.4%
New orders, nondefense capital goods (deflated)	Oct		X		+ 0.8%	+ 3.8%
*New business formation	Oct			X	1.1%	2.3%
*Housing permits	Oct		X		0.4%	14.3%
Inventory Investment and Purchasing						
*New orders, consumer goods & materials (deflated)	Oct	X			+ 3.7%	+ 5.5%
*Change in inventory, on hand & order (deflated)	Sept		X		+ 2.6%	18.4%
Purchasing agents' buying policy	Nov			X	7.0%	16.0%
*Vendor performance, reported slower deliveries	Oct	X			2.0%	6.0%
Industrial raw materials prices	Nov			X	2.5%	12.8%
*Change in sensitive material prices	Oct		X		0.1%	+ 0.5%
Sensitive Financial Flows						
*Money balance (M2 deflated)	Oct	X			1.0%	5.9%
Change in business loans	Oct	X			+ 19.6%	9.4%
*Change in credit outstanding	Oct	X			+ 4.7%	2.0%
Change in consumer installment debt	Sept	X			64.9%	67.8%
Profitability						
Total corporate profits, after tax (deflated)	3rd Q	X			4.5%	0.9%
*Common stock prices	Nov	X			4.2%	18.0%
Marginal Employment Adjustments						
*Average workweek, mfg	Nov		X		0.1hr	0.2hr
*Initial unemployment claims (inverted)	Oct		X		1.3%	4.3%

Note: For a description of the Leading Indicators Composite Index see Bureau of Economic Analysis, *Handbook of Cyclical Indicators*, (Washington, D.C.: Government Printing Office) June, 1977.
*These twelve series make up the Composite Leading Index charted below.



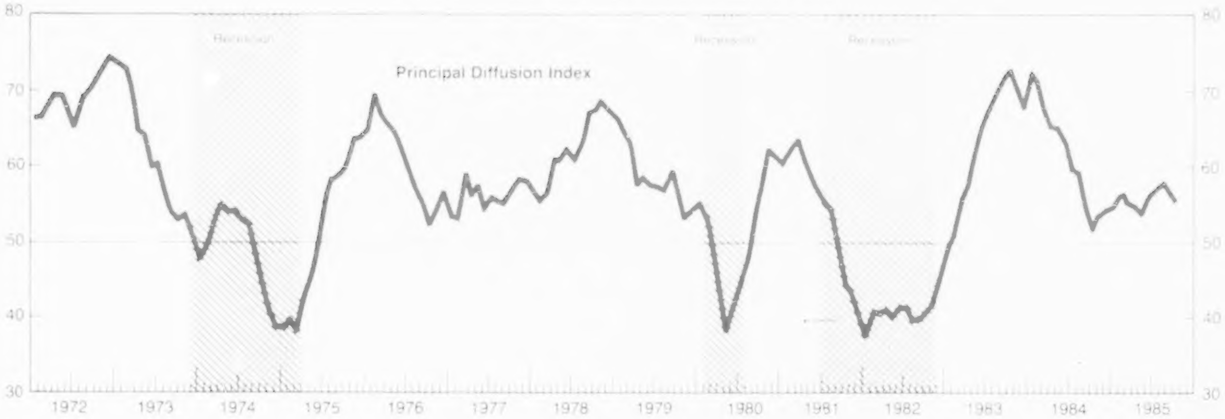
CONFERENCE BOARD DIFFUSION INDEXES

DIFFUSION INDEXES	1985 Oct	1986 Jul	Aug	Sept	Oct (e)
Principal Diffusion Index	50.4	57.1r	58.0r	56.3r	55.6
Auxiliary Diffusion Index	42.8	51.8r	52.9r	44.4r	47.7
Industrial Group	48.8	56.9	61.3r	55.8r	54.4
Nonindustrial Group	52.1	57.4r	54.8r	56.8r	56.9
Sense of Diffusion	0	1	1	1	1
SUBGROUP DIFFUSION INDEXES					
Industrial Subgroups					
Production	47.0	57.7	65.8	57.7r	52.1
Labor	53.5	57.8	61.3	58.1	61.3
Miscellaneous	39.7	53.2	54.5	47.4	40.4
Nonindustrial Subgroups					
Prices	37.8	48.1	41.0	34.6	36.5
Consumer	69.7	68.4r	72.6r	76.1r	68.8
Building	55.1	60.3	58.3	56.4r	62.2
Miscellaneous	41.9	50.9	43.8	52.6	54.9

Note: The principal diffusion index reflects the frequency of rises in 20 component series over the 12-month period ending in the month indicated. The index is based on the direction of change, not the magnitude of change, from month to month. Each component series carries equal weight in the index, but the direction of recent changes is weighted more heavily than are earlier changes. If, for example, 10 component series rose and 10 declined in each of the last 12 months, the current index would be higher than 50 because the data over the latest six-month period are weighted more heavily than data from the earlier six-month period. On the other hand, if all 20 series rose in each of the last six months, after declining in each of the prior six months, weighting would make the current index considerably greater than 50. See Morton Ehrlich, "Using The Conference Board's Diffusion Indexes," The Conference Board *RECORD*, July, 1966.

e-estimate   r-revised

The Conference Board Diffusion Index



BUSINESS EXECUTIVES' EXPECTATIONS

	1983 May	*Aug.*	*Nov.*	*1984* Feb.	*May*	*Aug.*	*Nov.*	*1965* Feb.	*May*	*Aug.*	*Nov.*
	Score (scale 0-100)										
Measure of Business Confidence	76	75	74	70	65	61	57	61	52	51	55
1. Appraisal of Current Economic Conditions Compared With Six Months Ago	76	82	80	76	75	70	57	62	48	45	53
2. Expectations for Economy, Six Months Ahead	78	74	73	67	60	57	57	61	53	53	56
3. Expectations for Own Industry, Six Months Ahead	72	69	70	67	61	57	58	61	55	54	56

The Measure of Business Confidence is the average of the scores for the three primary questions in the survey. Respondents have five reply options for each question; a score for each question is determined by assigning the following values to the replies and calculating the average value of the replies to the question: Substantially Better—100, Moderately Better—75, Same—50, Moderately Worse—25, Substantially Worse—0. The score for each question, and the overall Measure of Business Confidence, thus can range from 0 to 100.

CONFERENCE BOARD ESTIMATES OF CAPITAL APPROPRIATIONS AND EXPENDITURES BY MANUFACTURERS AND INVESTOR-OWNED UTILITIES

Billions of Dollars, Seasonally Adjusted

	1984				1985			Percent Change From Previous Year	
	I	II	III	IV	I	IIr	IIIp	1984 Actual	1985 Actual**
1000 LARGEST MANUFACTURING FIRMS									
New appropriations	26.916	34.123	27.309	29.100	29.938	27.560	24.411	32	-11
Capital expenditures	20.129	21.739	23.034	24.587	23.354	24.911	25.968	19	+10
Change in appropriations backlog*	+4.969	+10.715	-2.885	+2.302	+4.984	+0.529	-3.995		
Durable Goods									
New appropriations	13.387	18.702	12.742	15.072	16.737	10.910	12.782	59	-5
Capital expenditures	8.874	10.041	11.101	12.223	11.648	12.814	13.335	43	20
Change in appropriations backlog*	+3.655	+8.212	-1.107	+1.797	+4.154	-2.516	-1.561		
Nondurable Goods									
New appropriations	13.529	15.421	14.567	14.028	13.201	16.650	11.629	11	-20
Capital expenditures	11.255	11.698	11.933	12.364	11.706	12.097	12.633	9	6
Change in appropriations backlog*	+1.310	+2.503	1.778	+0.505	+0.830	3.044	-2.434		
ELECTRIC & GAS UTILITIES									
New appropriations	5.464r	7.839r	9.863r	11.554r	9.066r	15.491p	N.A.	38	
Capital expenditures	8.882r	9.016r	9.212r	9.337r	8.828r	9.163p	N.A.	1	
Change in appropriations backlog*	5.963r	2.897r	1.607r	3.147r	0.106r	4.733p	N.A.		

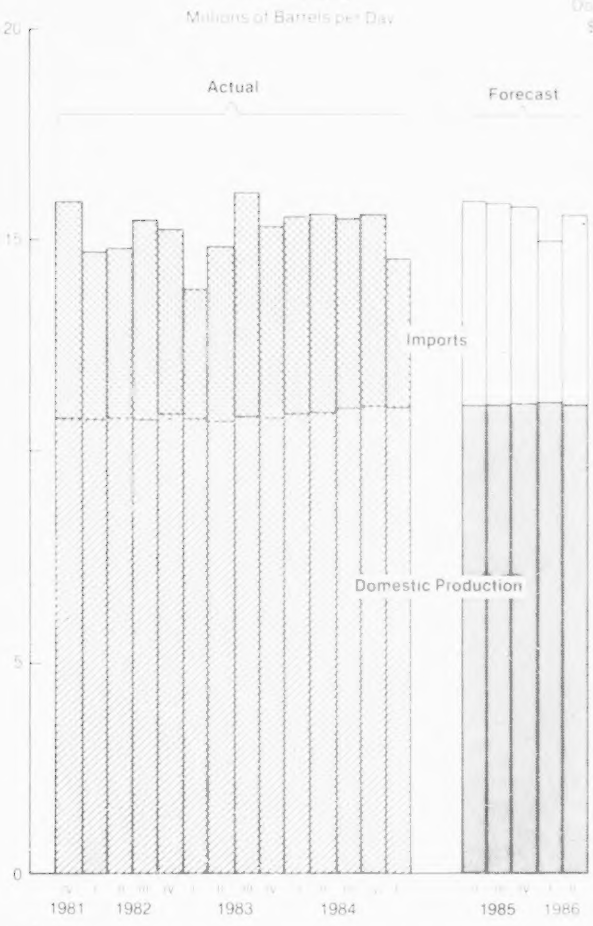
Available on request: Historical data from 1953 (manufacturing) and from 1958 (utilities), and quarterly reports containing text and data for 17 separate manufacturing industries, electric and gas utilities.

r—revised p—preliminary

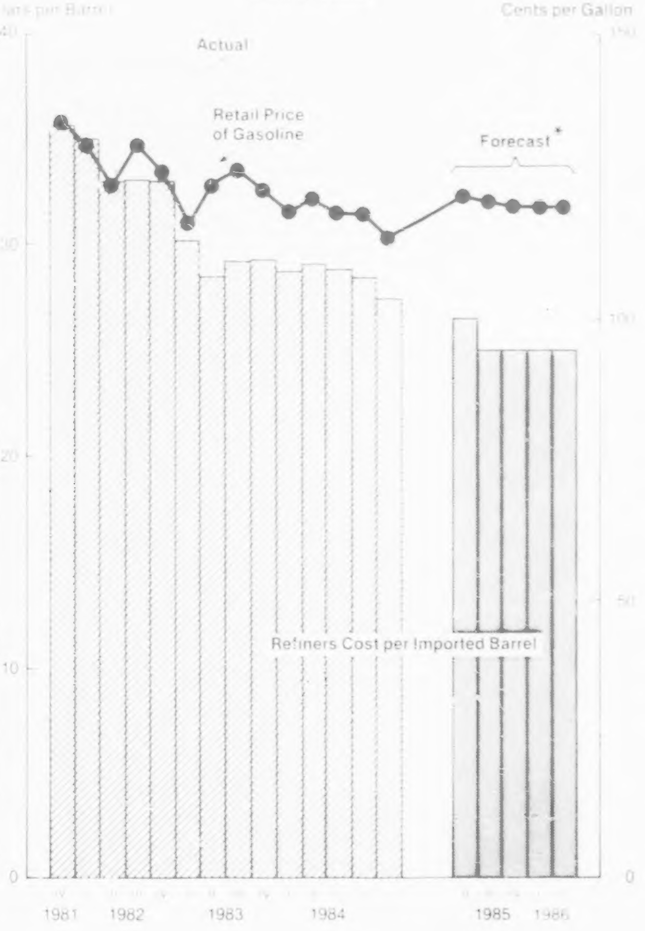
* Change in Backlog = New Appropriations − (Expenditures + Cancelations + Other Adjustments)

** Third quarter 1985 over third quarter 1984

Oil Supply

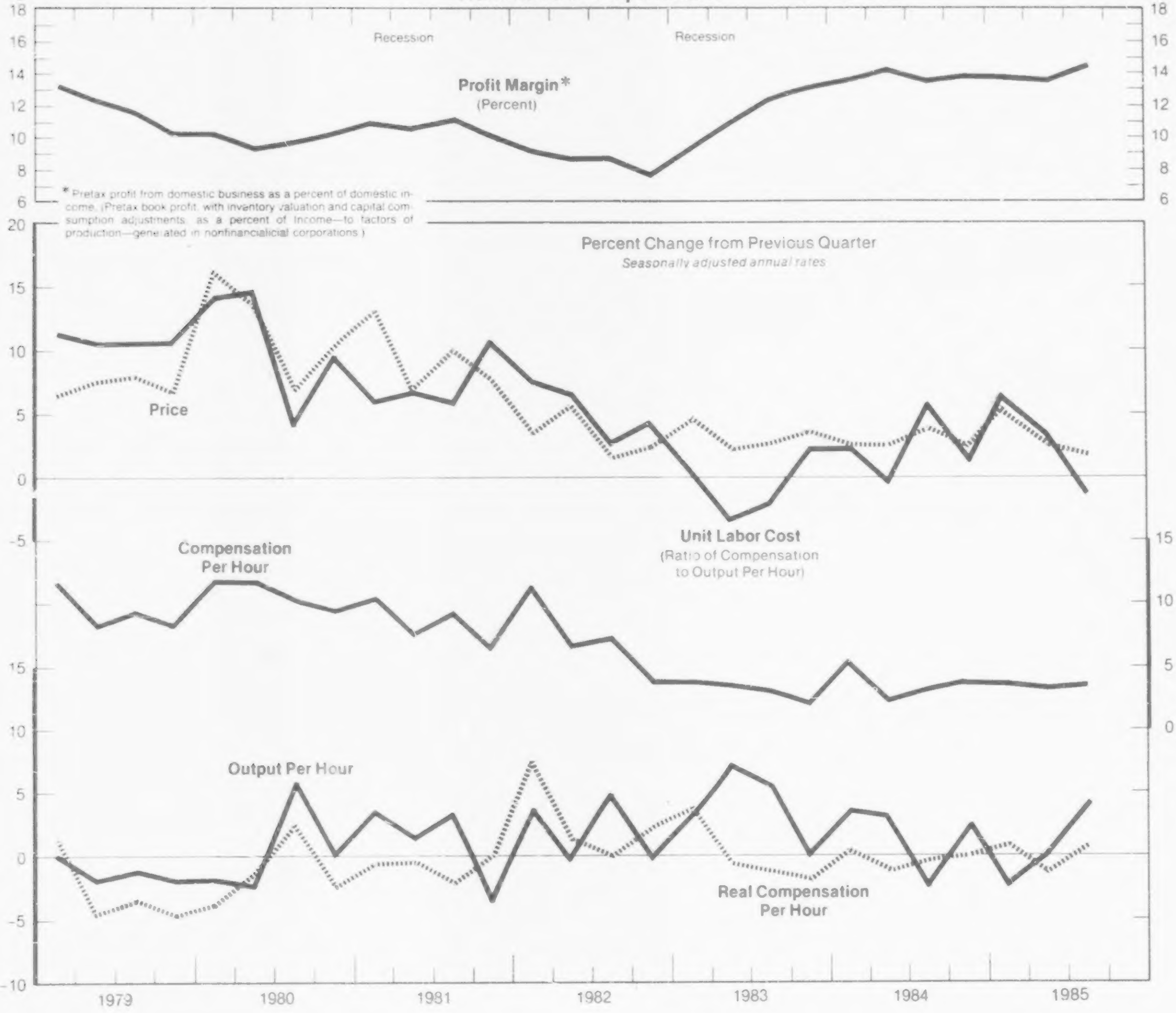


Oil Price



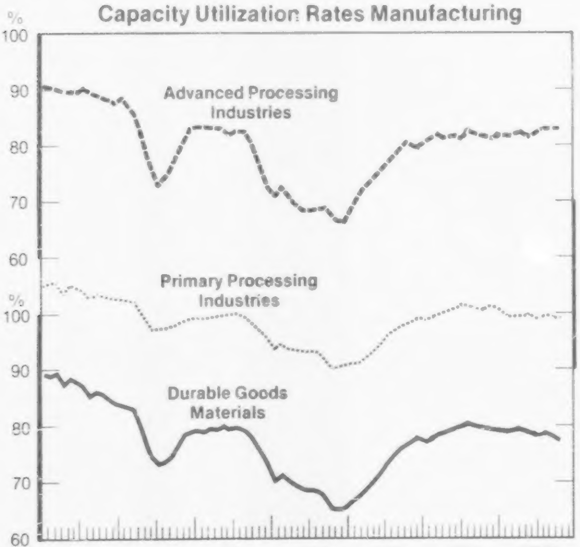
*Source of Forecast is The Energy Information Administration, Department of Energy

Key Determinants of Profit Margin
Nonfinancial Corporations

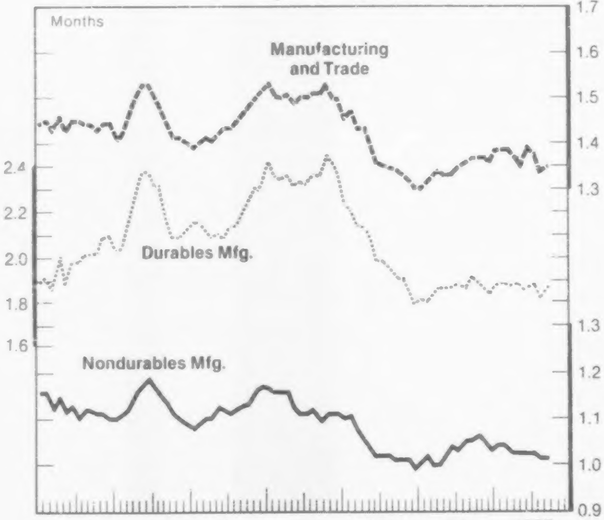


* Pretax profit from domestic business as a percent of domestic income. (Pretax book profit, with inventory valuation and capital consumption adjustments, as a percent of income—to factors of production—generated in nonfinancialicial corporations.)

Capacity Utilization Rates Manufacturing



Inventory-Sales Ratios



ECONOMIC FORECASTS

			U.C.L.A.[2] Business Forecasting Project		Merrill Lynch[2] Economics Inc.		E.I. duPont[2] de Nemours & Co.		Georgia State University[2]	
Date of Forecast			*Nov., 1985*		*Nov., 1985*		*Nov., 1985*		*Nov., 1985*	
			Level	*Percent Change*	*Level*	*Percent Change*	*Level*	*Percent Change*	*Level*	*Percent Change*
Gross National Product **Billions of Current Dollars**										
Actual	**1985**	**III**	**$3915.9**	**6.7%**	**$3915.9**	**6.7%**	**$3915.9**	**6.7%**	**$3915.9**	**6.7%**
		IV	4008.1	9.8	3970.3	5.7	3973.3	6.0	3987.5	7.5
	1986	I	4064.0	5.7	4028.2	6.0	4027.1	5.5	4054.9	6.9
		II	4123.1	5.9	4098.4	7.2	4093.0	6.7	4124.3	7.0
		III	4190.8	6.7	4177.7	8.0	4164.9	7.2	4190.5	6.6
		IV	4276.8	8.5	4260.1	8.1	4237.4	7.1	4254.7	6.3
	1987	I	4378.4	9.8			4309.0	6.9	4318.5	6.1
		II	4480.7	9.7			4382.8	7.0	4395.4	7.3
		III	4571.6	8.4			4448.2	6.1	4491.1	9.0
		IV	4665.9	8.5			4527.0	7.3	4595.8	9.7
	1985	Annual	3896.9	6.4	3887.5	6.1	3888.2	6.2	3891.8	6.3
	1986	Annual	4163.7	6.8	4141.1	6.5	4130.6	6.2	4156.1	6.8
	1987	Annual	4524.2	8.7			4416.8	6.9	4450.2	7.1
Gross National Product **Billions of Constant (1972) Dollars**										
Actual	**1985**	**III**	**$1688.9**	**4.3%**	**$1688.9**	**4.3%**	**$1688.9**	**4.3%**	**$1688.9**	**4.3%**
		IV	1709.2	4.9	1697.9	2.1	1698.0	2.2	1701.8	3.1
	1986	I	1716.5	1.7	1709.1	2.7	1710.0	2.9	1712.8	2.6
		II	1727.7	2.6	1722.4	3.1	1727.0	4.0	1726.8	3.3
		III	1742.0	3.4	1737.5	3.6	1739.0	2.8	1735.7	2.1
		IV	1760.0	4.2	1755.0	4.1	1751.0	2.8	1744.3	2.0
	1987	I	1782.3	5.2			1766.0	3.5	1751.2	1.6
		II	1803.9	4.9			1778.0	2.7	1763.8	2.9
		III	1819.4	3.5			1790.0	2.7	1782.9	4.4
		IV	1834.5	3.4			1800.0	2.3	1803.0	4.6
	1985	Annual	1683.2	2.7	1680.4	2.5	1680.4	2.5	1681.4	2.6
	1986	Annual	1736.6	3.2	1731.0	3.0	1731.8	3.1	1729.9	2.9
	1987	Annual	1810.0	4.2			1783.5	3.0	1775.2	2.6
Gross National Product deflator **Index, 1972 100**										
Actual	**1985**	**III**	**231.9**	**2.3%**	**231.9**	**2.3%**	**231.9**	**2.3%**	**231.9**	**2.3%**
		IV	234.5	4.6	233.8	3.5	234.0	3.7	234.3	4.3
	1986	I	236.8	3.9	235.7	3.2	235.5	2.6	236.7	4.2
		II	238.6	3.2	237.9	3.9	237.0	2.6	238.8	3.6
		III	240.6	3.3	240.4	4.3	239.5	4.3	241.4	4.4
		IV	243.0	4.1	242.7	3.9	242.0	4.2	243.9	4.2
	1987	I	245.7	4.5			244.0	3.3	246.6	4.5
		II	248.4	4.5			246.5	4.2	249.2	4.3
		III	251.3	4.7			248.5	3.3	251.9	4.4
		IV	254.3	5.0			251.5	4.9	254.9	4.8
	1985	Annual	231.5	3.6	231.3	3.5	231.4	3.6	231.4	3.6
	1986	Annual	239.7	3.6	239.2	3.4	238.5	3.1	240.2	3.8
	1987	Annual	249.9	4.2			247.6	3.8	250.6	4.3
Unemployment Rate										
Actual	**1985**	**III**		7.1%		7.1%		7.1%		7.1%
		IV		7.0		7.1		7.0		7.0
	1986	I		7.0		7.1		7.1		6.9
		II		7.0		7.1		7.1		7.0
		III		7.0		7.1		7.0		6.9
		IV		6.9		7.0		6.9		6.8
	1987	I		6.8				6.9		6.8
		II		6.7				6.8		6.9
		III		6.6				6.9		6.9
		IV		6.5				6.9		6.8
	1985	Annual		7.1		7.2		7.1		7.1
	1986	Annual		7.0		7.1		7.0		6.9
	1987	Annual		6.7				6.9		6.9

Notes: Percentage changes represent compound annual rates of change from preceding period. Quarterly data are seasonally adjusted.

[1] Based on preliminary third quarter data

[2] Based on revised third quarter data

ECONOMIC FORECASTS (continued)

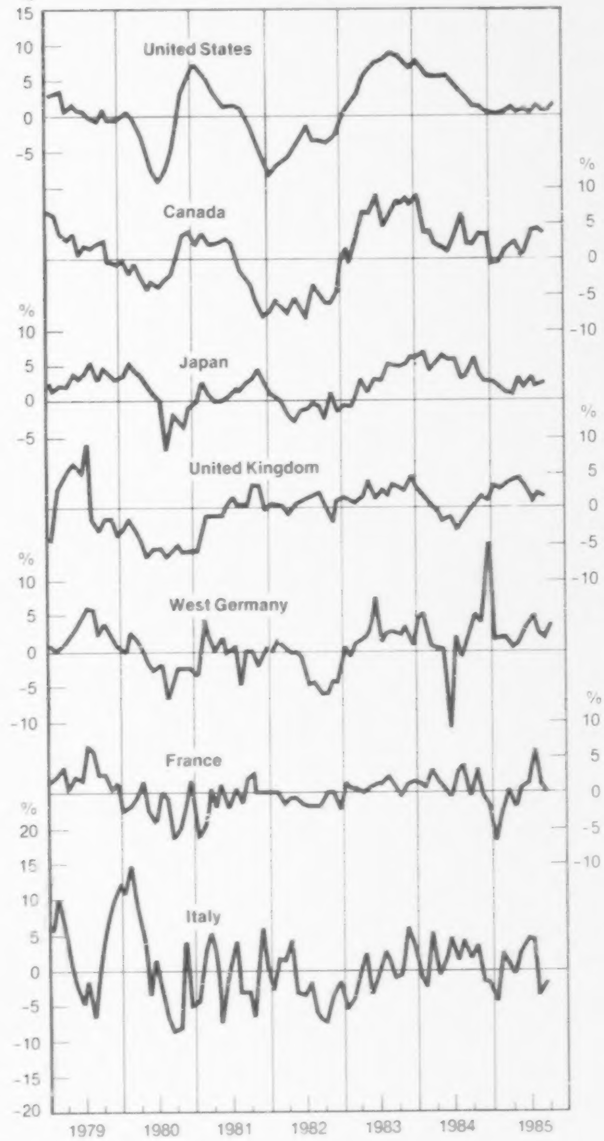
The Conference Board[1]		Chase Econometric[2] Associates, Inc.		Data Resources Inc.[2]		Wharton E.F.A. Inc.[2]				
Oct., 1985		*Nov., 1985*		*Nov., 1985*		*Nov., 1985*		*Date of Forecast*		
Level	*Percent Change*	*Level*	*Percent Change*	*Level*	*Percent Change*	*Level*	*Percent Change*			
								Gross National Product Billions of Current Dollars		
		$3915.9	**6.7%**	**$3915.9**	**6.7%**	**$3915.9**	**6.7%**	**III**	**1985**	**Actual**
$3976.0	6.3%	3988.0	7.6	3983.3	7.1	3969.3	5.6	IV		
4033.0	5.9	4043.3	5.7	4016.4	3.4	4017.5	4.9	I	1986	
4087.0	5.5	4114.0	7.2	4061.7	4.6	4075.6	5.9	II		
4167.0	8.1	4192.7	7.9	4117.3	5.6	4153.4	7.9	III		
4256.0	8.8	4262.0	6.8	4189.4	7.2	4245.3	9.1	IV		
		4354.1	8.9	4275.7	8.5	4329.8	8.2	I	1987	
		4432.1	7.4	4365.1	8.6	4401.8	6.8	II		
		4506.1	6.8	4442.8	7.3	4478.0	7.1	III		
		4576.9	6.4	4519.7	7.1	4551.4	6.7	IV		
3889.0	6.2	3891.9	6.3	3890.7	6.2	3887.2	6.1	Annual	1985	
4135.8	6.3	4153.0	6.7	4096.2	5.3	4123.0	6.1	Annual	1986	
		4467.3	7.6	4400.8	7.4	4440.3	7.7	Annual	1987	
								Gross National Product Billions of Constant (1972) Dollars		
		$1688.9	**4.3%**	**$1688.9**	**4.3%**	**$1688.9**	**4.3%**	**III**	**1985**	**Actual**
$1698.4	3.3%	1697.2	2.0	1697.7	2.1	1697.5	2.1	IV		
1709.9	2.7	1703.2	1.4	1696.5	−.3	1705.5	1.9	I	1986	
1719.1	2.2	1715.1	2.8	1703.7	1.7	1715.0	2.2	II		
1735.5	3.9	1729.3	3.4	1715.1	2.7	1729.8	3.5	III		
1754.3	4.4	1741.0	2.7	1730.0	3.5	1748.9	4.5	IV		
		1758.2	4.0	1748.8	4.4	1764.4	3.6	I	1987	
		1769.2	2.5	1768.1	4.5	1778.6	3.3	II		
		1781.1	2.7	1781.7	3.1	1791.8	3.0	III		
		1792.6	2.6	1794.1	2.8	1802.9	2.5	IV		
1679.5	2.5	1680.2	2.5	1680.3	2.5	1680.3	2.5	Annual	1985	
1729.7	3.0	1722.2	2.5	1711.3	1.8	1724.8	2.6	Annual	1986	
		1775.3	3.1	1773.2	3.6	1784.4	3.5	Annual	1987	
								Gross National Product deflator Index, 1972 = 100		
		231.9	**2.3%**	**231.9**	**2.3%**	**231.9**	**2.3%**	**III**	**1985**	**Actual**
234.1	2.9	235.0	5.5	234.6	4.9	233.8	3.4	IV		
235.9	3.0	237.4	4.2	236.7	3.7	235.6	3.0	I	1986	
237.7	3.2	239.9	4.2	238.4	2.8	237.6	3.6	II		
240.1	4.0	242.5	4.4	240.1	2.8	240.1	4.2	III		
242.6	4.2	244.8	3.9	242.2	3.5	242.7	4.5	IV		
		247.6	4.7	244.5	3.9	245.4	4.5	I	1987	
		250.5	4.7	246.9	4.0	247.5	3.4	II		
		253.0	4.0	249.4	4.1	249.9	4.0	III		
		255.3	3.7	251.9	4.2	252.4	4.1	IV		
231.5	3.6	231.6	3.7	231.5	3.6	231.3	3.5	Annual	1985	
239.1	3.3	241.1	4.1	239.3	3.4	239.0	3.3	Annual	1986	
		251.6	4.4	248.2	3.7	248.8	4.1	Annual	1987	
								Unemployment Rate		
	7.1%		**7.1%**		**7.1%**		**7.1%**	**III**	**1985**	**Actual**
	7.1		7.1		7.1		7.2	IV		
	7.2		7.1		7.2		7.4	I	1986	
	7.4		7.1		7.4		7.4	II		
	7.4		6.9		7.5		7.3	III		
	7.2		6.8		7.5		7.1	IV		
			6.6		7.5		7.0	I	1987	
			6.5		7.4		6.8	II		
			6.5		7.3		6.7	III		
			6.5		7.3		6.7	IV		
	7.2		7.2		7.2		7.2	Annual	1985	
	7.3		7.0		7.4		7.3	Annual	1986	
			6.5		7.4		6.8	Annual	1987	

Please Note: In the interest of speeding the data contained in this publication to you, these series are available on-line through The Conference Board Data Base. For more information, contact Linette Stein Waters or Ken Goldstein at (212) 759-0900.

SELECTED INTERNATIONAL COMPARISONS

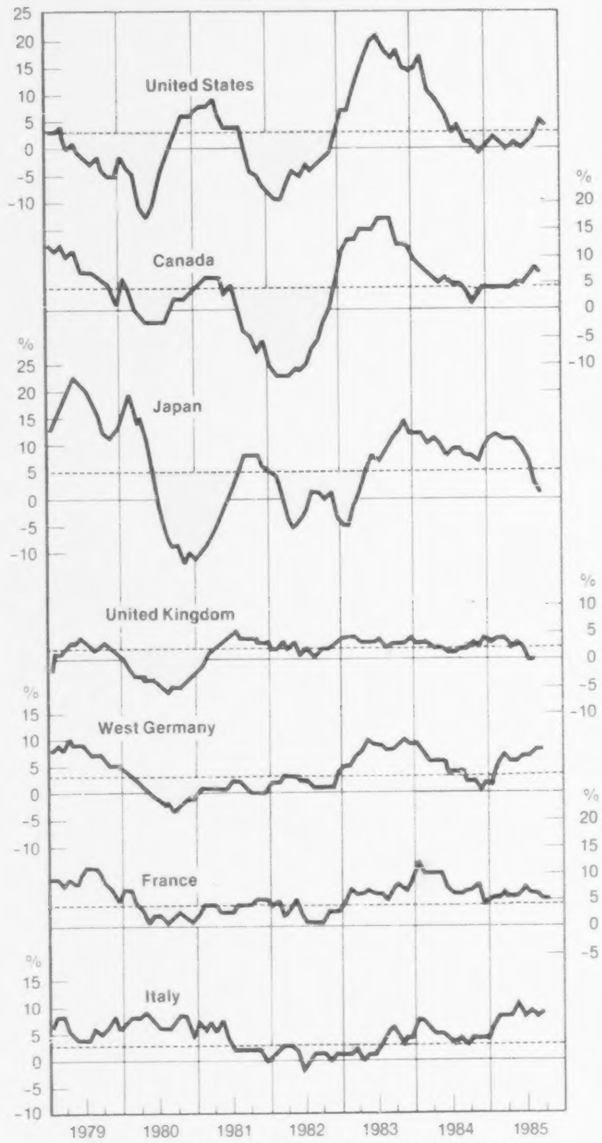
INDUSTRIAL PRODUCTION INDEXES

CHANGE OVER A SIX MONTH SPAN



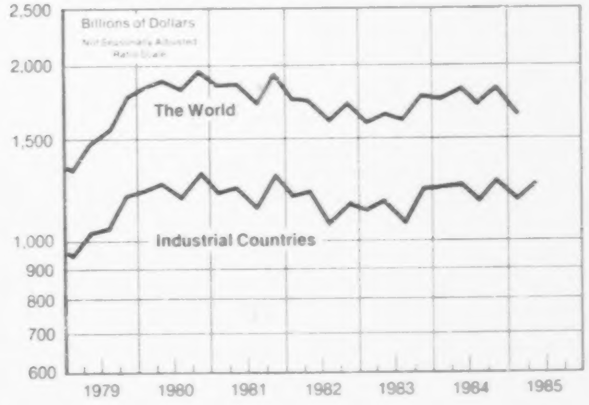
LEADING BUSINESS CYCLE INDEXES

CHANGE FROM PRECEDING YEAR

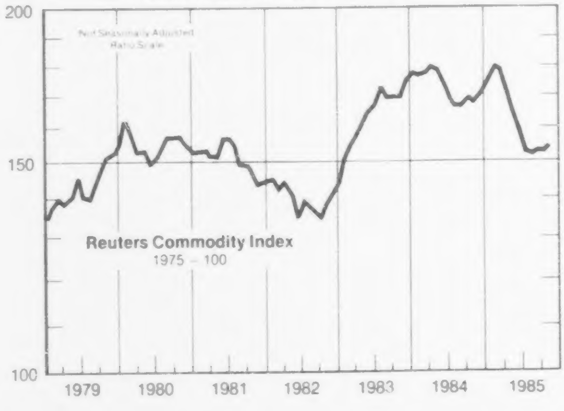


Source: Center for International Business Cycle Research, Columbia University

MERCHANDISE TRADE: VALUE OF EXPORTS

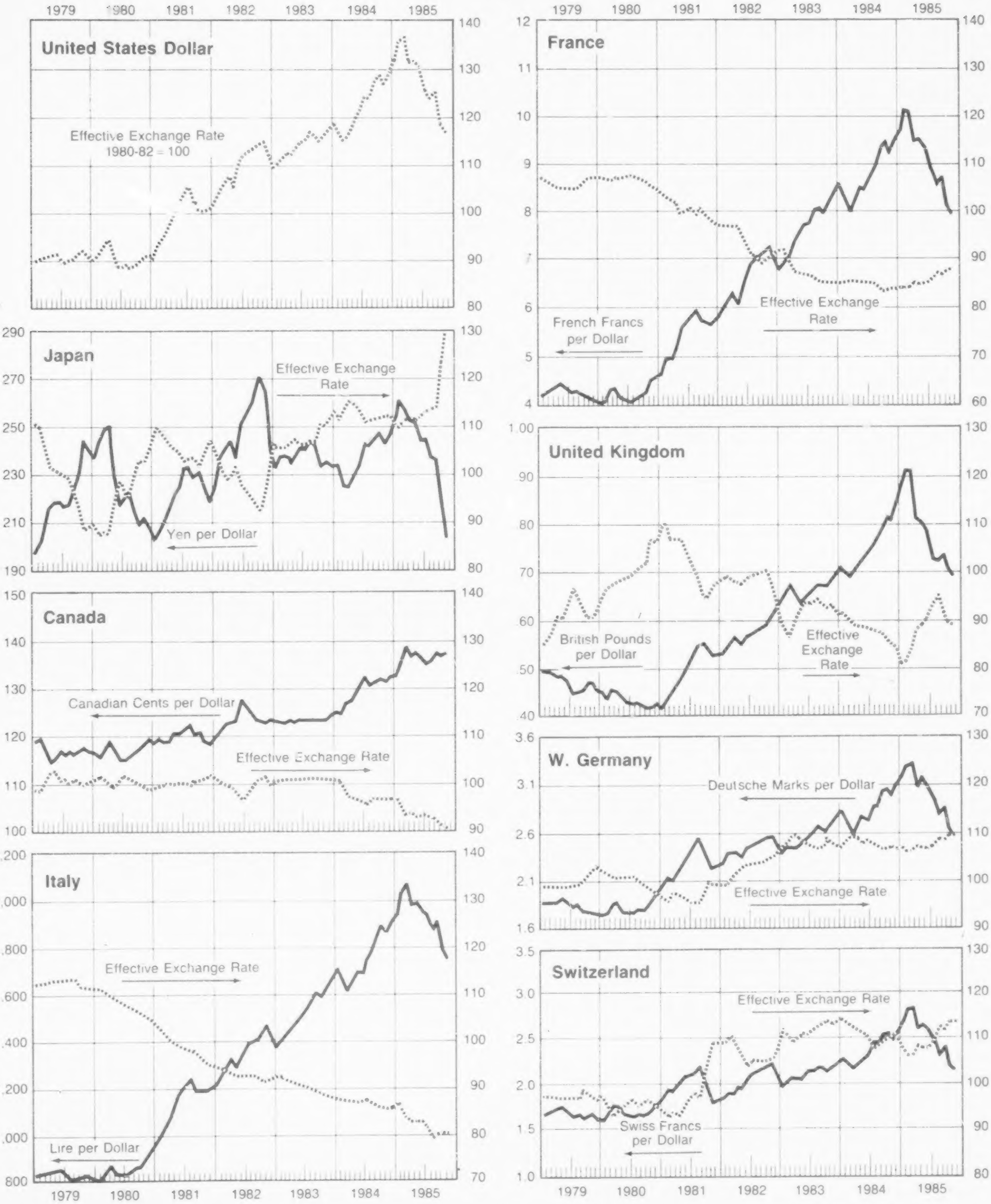


RAW MATERIALS PRICES



Foreign Exchange Rates

Indexes: 1980-82 = 100



Note Nominal Effective Exchange Rates Index numbers 1980-82 = 100 Each index shows a currency's trade-weighted appreciation or depreciation measured against fifteen other major currencies using averages of daily noon spot exchange rates in New York and bilateral trade weights based on 1980 trade in manufactures

Source Morgan Guaranty Trust Co

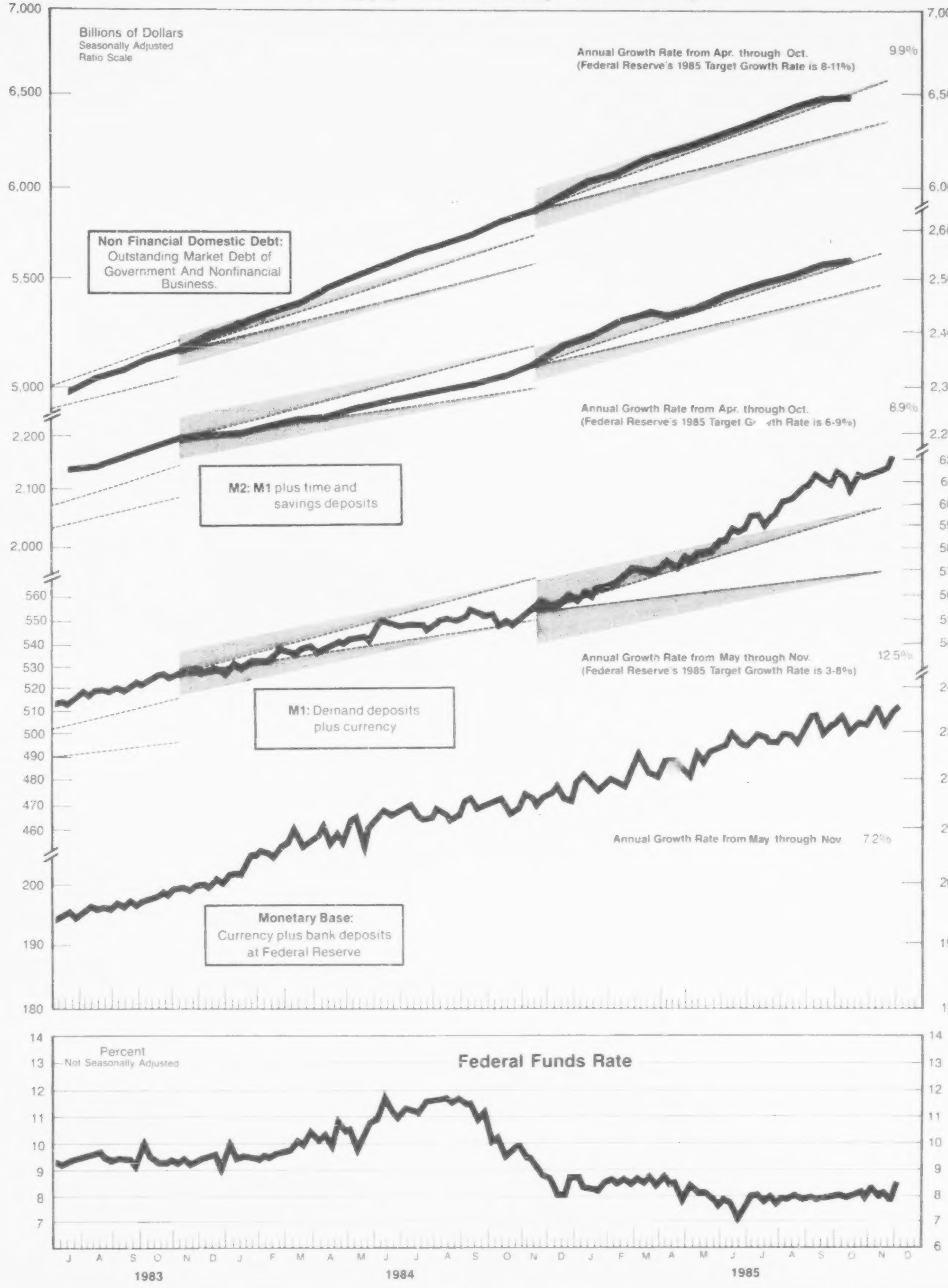
PERSPECTIVE ON THE FEDERAL BUDGET
(Billions of Current Dollars)

	Fiscal 1986		Fiscal 1987		Fiscal 1988	
	Administration's Latest Estimate	Congress's Latest Estimate	Administration's Latest Estimate	Congress's Latest Estimte	Administration's Latest Estimate	Congress's Latest Estimate
	(8/30/85)	(8/15/85)	(8/30/85)	(8/15/85)	(8/30/85)	(8/15/85)
Receipts	**$ 779.8**	**$ 790.0**	**$ 850.1**	**$ 858.0**	**$ 937.0**	**$ 939.0**
Outlays	**957.7**	**965.0**	**989.4**	**1.021.0**	**1.036.8**	**1.082.0**
Deficit	**177.8**	**-175.0**	**-139.3**	**163.0**	**99.8**	**-143.0**
Receipts by source	**779.8**	**790.0**	**850.1**	**858.0**	**937.0**	**939.0**
Individual income taxes	356.2	362.5	389.8	395.0	429.8	434.0
Social security	287.2	285.3	309.5	305.0	343.8	338.0
Corporate income taxes	68.0	72.5	81.2	87.0	94.4	96.0
Other receipts	68.4	69.7	69.6	71.0	69.0	71.0
Outlays by function	**957.7**	**965.0**	**989.4**	**1.021.0**	**1.036.8**	**1.082.0**
Social security and medicare	268.4	270.0	287.0	290.4	308.3	312.9
National defense	267.1	267.1	285.2	285.2	303.9	304.0
Income security	115.2	121.1	119.4	124.2	124.1	130.6
Health	34.6	34.9	35.7	37.8	37.1	40.7
Education and manpower	30.4	30.8	28.4	31.3	28.2	32.1
Transportation	26.1	25.8	25.6	27.7	24.7	28.1
Veterans' benefits	26.6	26.8	26.8	27.3	27.7	27.7
International affairs	21.3	18.9	19.1	17.3	18.0	16.4
Agriculture	16.4	16.2	10.6	16.2	9.5	13.7
Natural resources	12.4	13.0	11.6	12.8	11.5	13.0
General science	9.4	8.9	9.4	8.9	9.6	9.0
Justice	6.6	6.8	6.7	7.0	6.7	7.2
Community development	7.4	8.0	6.5	7.3	5.9	6.8
General government	5.0	5.5	5.0	5.2	5.1	5.5
Commerce, housing credit	2.8	3.7	- 1.0	3.4	- 1.6	5.2
Energy	3.8	5.6	3.1	5.2	1.8	4.5
Revenue sharing	2.9	6.5	1.7	3.2	1.8	2.1
Interest	138.1	137.0	147.0	149.0	151.8	165.0
Allowances	0.0	- 1.7	0.8	- 1.7	1.9	- 0.5
Offsetting receipts	36.9	39.9	39.0	37.1	39.2	41.9

ECONOMIC ASSUMPTIONS OF THE BUDGET

GNP						
Current Dollar	**$4,236.7**	**$4,217.0**	**$4,589.4**	**$4,548.0**	**$4.959.3**	**$4.905.0**
Constant (1972) Dollar	**1,754.6**	**1,743.0**	**1.824.8**	**1.802.0**	**1.897.6**	**1,865.0**
Percent change in						
Current dollar	8.5%	8.0%	8.3%	7.8%	8.1%	7.9%
Constant (1972) dollar	4.2	3.6	4.0	3.4	4.0	3.5
Implicit price deflator	4.1	4.2	4.2	4.3	3.9	4.2
Consumer price index	4.2	4.5	4.2	4.4	3.9	4.2
91-Day T bill rate	7.5	7.4	7.0	7.2	5.9	7.2
Unemployment rate	6.8	7.0	6.6	6.8	6.3	6.6

Money Supply and Monetary Growth Targets



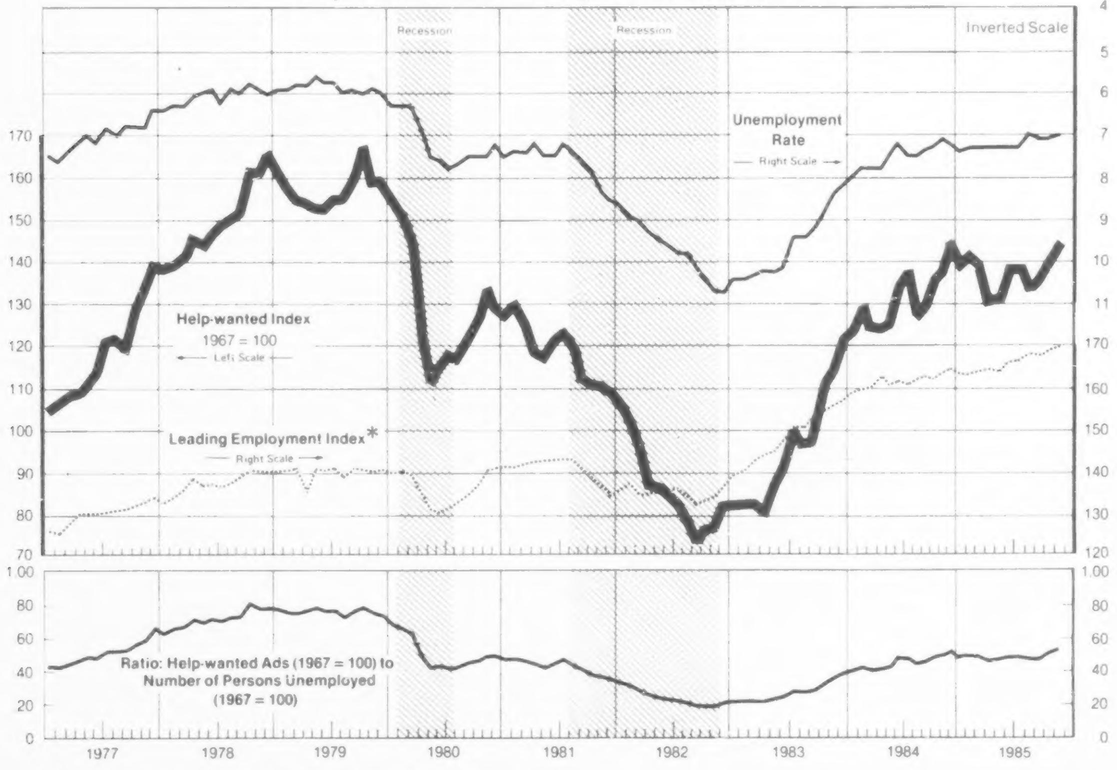
CONFERENCE BOARD HELP-WANTED ADVERTISING INDEXES

Seasonally Adjusted Indexes, 1967 = 100

	1985			1984
Locality	**Oct.**	**Sept.**	**Aug.**	**Oct.**
National Index	140	136	133	136
New England	164	147	145	153
Boston	n a	156	153	164
Hartford	166	157	154	155
Providence	124	104	112	113
Middle Atlantic	72	69	68	63
Albany	174	163	159	119
Allentown	190	191	198	186
New York	58	57	54	53
Philadelphia	63	61	59	58
Pittsburgh	76	71	67	56
Rochester	82	79	86	74
Syracuse	114	112	119	101
East North Central	86	85	86	82
Chicago	96	95	98	100
Cincinnati	n a	118	129	116
Cleveland	58	55	57	56
Columbus	133	134	128	113
Dayton	75	78	75	57
Detroit	61	64	60	60
Gary	111	110	116	96
Indianapolis	90	85	84	83
Milwaukee	57	54	53	52
Toledo	113	113	107	85
West North Central	89	92	84	88
Kansas City	145	153	123	132
Minneapolis	73	73	68	82
Omaha	115	118	124	116
St. Louis	64	67	65	59
South Atlantic	186	176	164	162
Atlanta	291	273	262	312
Baltimore	202	192	153	98
Charlotte	143	141	131	148
Jacksonville	217	205	213	189
Miami	85	79	74	81
Richmond	116	119	116	92
Washington, D C	179	165	163	166
East South Central	150	139	139	133
Birmingham	160	149	148	131
Knoxville	200	182	192	193
Louisville	92	89	84	75
Memphis	102	109	103	104
Nashville	234	197	203	203
West South Central	220	219	228	272
Dallas	308	289	301	387
Houston	263	273	284	338
New Orleans	101	96	98	125
Oklahoma City	120	126	129	144
San Antonio	199	192	209	204
Tulsa	124	142	137	145
Mountain	324	310	307	324
Denver	203	200	198	211r
Phoenix	482	445	438	472
Salt Lake City	335	334	332	336
Pacific	208	204	197	202
Los Angeles	150	148	144	153
Sacramento	369	345	359	320
San Bernadino	271	220	200	221
San Diego	473	475	422	421
San Francisco	207	206	207	215
Seattle	192	196	190	185
Percentage of papers with rising volume	69	63	14	67
Unemployment rate	7.1	7.1	7.0	7.3

Note: For definitions and method, see Noreen Preston, *The Help-wanted Index* (New York: The Conference Board, 1977)
r—revised N.A.—not available

Help-wanted Advertising and Unemployment



* Source: Center for International Business Cycle Research, Columbia University

CONFERENCE BOARD INDEXES OF CONSUMER CONFIDENCE AND BUYING PLANS

Indexes, 1969-1970 = 100
(Seasonally Adjusted)

Consumer Confidence Index

	Jan.	Feb.	Mar.	Apr.	May	June	July	Aug.	Sept.	Oct.	Nov.	Dec.
1983	58.0	65.8	77.1	80.3	84.0	84.9	84.7	84.6	84.8	85.7	90.2	95.1
1984	98.4	95.7	94.5	97.9	95.2	97.1	91.0	91.9	91.0	91.5	96.8	85.9
1985	95.4	95.8	87.8	93.1	87.2	91.5	92.1	89.8	88.2	89.9r	92.1p	

Buying Plans Index

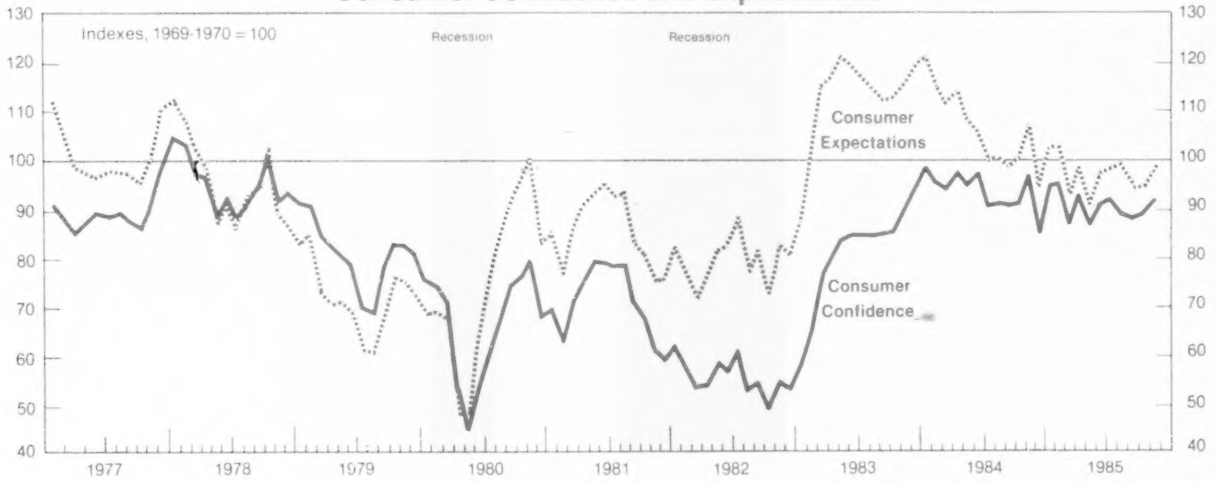
	Jan.	Feb.	Mar.	Apr.	May	June	July	Aug.	Sept.	Oct.	Nov.	Dec.
1983	71.9	75.8	87.9	86.0	85.2	103.6	100.5	89.9	113.5	109.9	108.9	108.5
1984	101.4	108.0	103.9	99.4	105.1	121.6	94.5	100.6	93.3	98.5	102.7	96.2
1985	102.3	107.1	113.8	101.4	88.8	107.6	97.7	105.3	119.5	117.2r	109.6p	

Confidence Index measures consumer optimism in appraising economic conditions. Buying plans Index is based on intentions to purchase cars, homes, appliances. Expectations Index, (charted below), measures consumer attitudes with regard to business conditions and employment and income levels six months hence. Data prior to May, 1981 based on survey of families. Data after May, 1981 are based on survey of households. A description of these indexes appears in The Conference Board RECORD, September, 1973.

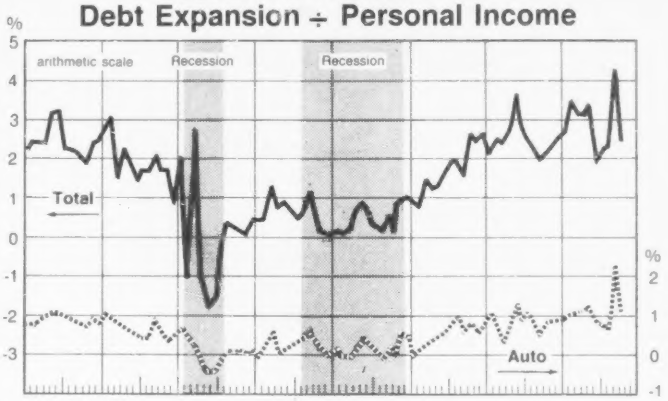
Surveys are conducted by National Family Opinion, Inc.

p—preliminary r—revised

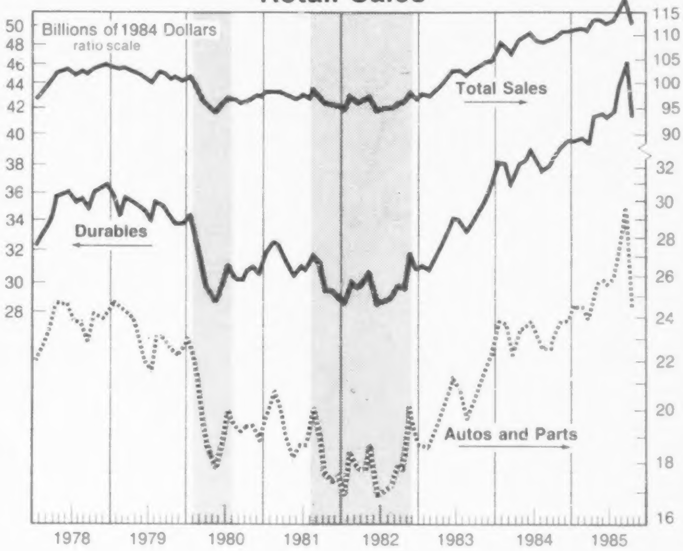
Consumer Confidence and Expectations



Consumer Installment Debt Expansion ÷ Personal Income



Retail Sales



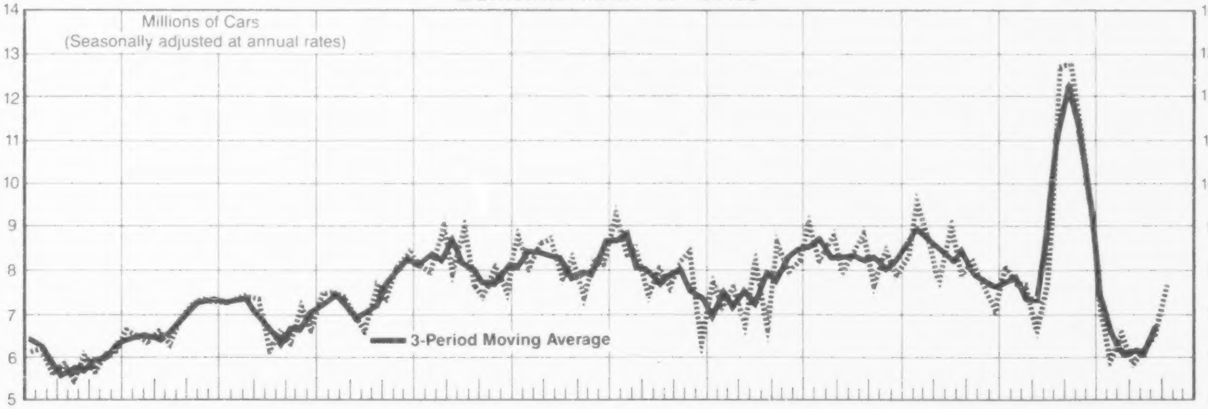
CONFERENCE BOARD ESTIMATES OF NEW AUTO SALES, BY 10-DAY PERIODS

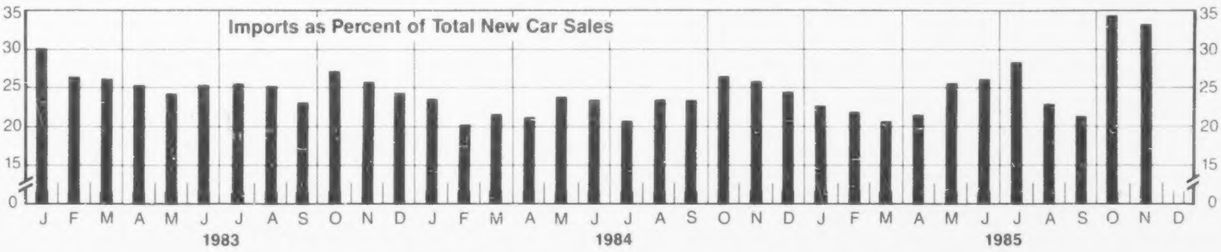
Millions, Seasonally Adjusted at Annual Rate

Periods		1982	1983	1984	1985
January:	1-10	5.53	6.17	8.16	9.14
	11-20	5.59	6.20	7.84	8.16
	21-31	5.14	5.60	9.15	8.78
February:	1-10	6.10	5.86	7.79	7.97
	11-20	6.03	5.30	9.17	8.28
	21-28(29)	6.06	6.07	7.60	8.81
March:	1-10	5.46	5.61	7.35	7.60
	11-20	5.68	6.10	8.13	8.55
	21-31	6.17	6.19	7.35	7.86
April:	1-10	5.06	6.69	8.88	8.30
	11-20	6.14	6.52	7.96	9.76
	21-30	5.62	6.35	8.60	8.73
May:	1-10	6.31	6.67	8.75	7.65
	11-20	6.53	6.30	7.74	9.13
	21-31	5.77	6.97	8.43	7.88
June:	1-10	6.00	7.23	7.22	8.35
	11-20	4.24	7.34	8.25	7.67
	21-30	4.56	7.28	8.10	7.10
July:	1-10	4.98	7.25	9.51	8.09
	11-20	5.56	7.36	8.32	7.71
	21-31	5.34	7.43	8.59	7.69
August:	1-10	5.27	7.39	7.33	6.59
	11-20	5.00	6.11	8.07	7.69
	21-31	5.72	6.65	7.43	12.69
September:	1-10	5.16	6.26	8.13	12.75
	11-20	6.75	7.21	8.52	11.27
	21-30	6.11	6.55	6.03	9.59
October:	1-10	5.22	7.52	7.83	7.03
	11-20	5.36	7.56	7.07	5.88
	21-31	5.91	7.45	7.70	6.62
November:	1-10	6.56	6.96	6.60	5.78
	11-20	6.98	6.55	8.44	6.14
	21-30	6.48	7.62	6.57	6.50
December:	1-10	6.03	7.30	8.75	
	11-20	6.45	8.09	7.96	
	21-31	6.64	8.48	8.19	

Note: Dealer sales exclude exports and foreign-model cars (unless manufactured domestically.) Data from Ward's Automotive Reports are seasonally adjusted by The Conference Board. Prior data available upon request.

Domestic-Model Car Sales





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Statistical Reference Index
Acquisitions
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STATISTICAL BULLETIN

Volume 19, No. 1, January, 1986

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The Conference Board
70th Anniversary

THE CONFERENCE BOARD'S STATISTICAL BULLETIN COMMENTARY

* LABOR MARKET REBOUNDING
* PERSONAL INCOME GROWTH QUICKENS A BIT
* PRICE INCREASES COMING IN A LITTLE FASTER
* CONSTRUCTION ACTIVITY FALTERING
* TRADE BALANCE MAY BE NARROWING
* BUT DOLLAR STOPS DECLINING
* OUTLOOK * FORECASTERS ARE GUARDEDLY OPTIMISTIC ABOUT THE FIRST HALF OF 1986

OVERVIEW: At this advanced stage of expansion—now beginning its fourth year—the general outlook remains modestly bright. The consensus of Economic Forecasts is that real GNP growth in the first half of 1986 will be about 2½%, at an annual rate. That's about the pace set in the fourth quarter. But the economy could grow a little faster than that.

Labor market activity has apparently developed some momentum. Production and income growth have also improved a bit. That production growth, however, may be due more to filling old orders rather than any surge in new orders. Moreover, industry is still operating with a fair amount of idle capacity. Those spare resources may contribute to a limiting of investment growth this year. In fact, nonresidential construction has slowed down. Another uncertainty is whether the trade balance will improve in 1986. The outlook, then, is reasonably bright, with a few signs that the economy is gathering strength. But given the uncertainties, forecasters seem to be hedging their projections.

DOMESTIC MARKETS MONITOR

The news on the labor market has been decidedly good in the last few months. To be sure, the unemployment rate only improved to 6.9% in December, from 7.1% this past Summer. But almost 1 million jobs have been added over the last 4 months. Adult women have benefitted the most from this surge in job openings.

Payroll employment data show that the rise in jobs was widely diffused. Service employment has continued to expand. Utilities and communications were the only service sectors with lower job levels in December than in the Summer. There were modest increases in nondurable manufacturing. Slight gains in lumber and in transport equipment—except cars—offset small declines in a few other durable industries. Still, the rise in jobs has spilled into the hard-pressed industrial core.

More people are working, and they are working longer hours. The workweek in transportation and utilities was .1 hour longer in December than 4 months earlier. The rise was .2 hours in business, health and other services. Altogether, more workers, and longer hours, in private services (excluding government) resulted in a 1.3% rise in total hours over the last 4 months—despite a drop in hours in retail trade.

Manufacturers have been slow to hire, but not so slow in putting people on overtime. The workweek was .4 hours longer in December than 4 months earlier. That, together with modest hiring, yields a 1.3% gain in total hours. Over the prior 4 months, total hours had actually declined slightly. Clearly, conditions have improved in manufacturing.

Will the labor market continue to improve? The Conference Board's **Help-wanted Index** rose to 144 (1967 = 100) in November, from 132 in August. Early returns to the December survey suggest that this measure of labor demand is still rising. The story, then, is that jobs have opened up, people are working longer hours, and employers are increasing their efforts to attract qualified job candidates. Labor market indicators have not looked this uniformly bright in some time.

Labor compensation has also increased. The hourly rate in private industry rose to $8.80 in December, compared with $8.50 only 4 months earlier.

Nonwage income gains have also quickened. Interest income was 4% higher, at an annual rate, in November than 3 months earlier. Prior to that, it declined in line with a drop in interest rates on savings. And proprietor income, rents and dividends were up by about a 12% rate over the same period. Rising income, wage and nonwage, may enable consumers to maintain their spending pace.

Retail sales have recently tended to rise or fall with the swings in car sales. In December, some loan incentives were reintroduced and auto sales rebounded. But excluding sales of autos and parts, retail sales, deflated, were 2.8% higher (annual rate) in December than 3 months earlier. So, consumer spending remains reasonably vigorous.

Ken Goldstein, Editor

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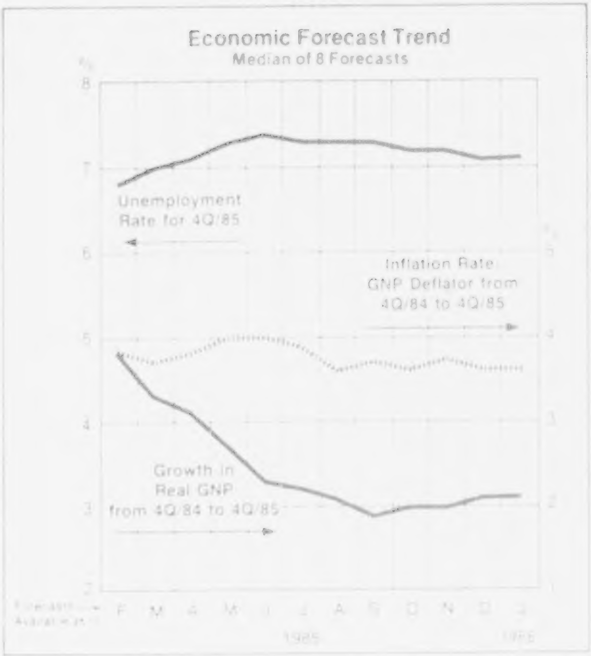


Construction activity has once again softened. Single-family home sales were 5% lower in November than 3 months earlier. Total housing starts were 11% lower in November than 3 months earlier and new permits were 8% lower. Given a slow pace of sales, builders are apparently holding down construction so as to limit unintended inventory of unsold homes.

More hours are being worked and more output is being produced. After a decline in October, industrial production rose by 1.1% over 2 months. The output gain was most pronounced in durable manufacturing — especially in space- and defense-related industries. The rise in nondurable manufacturing was not as vigorous. And output from mines and utilities was relatively flat.

Production has been rising as manufacturers filled old orders faster than new orders came in. Despite some pickup in November, new orders for durables were 1% lower than 2 months earlier. But shipments rose by 4% over this period.

INVENTORY. Stocks were 0.7% higher in October than 2 months earlier. All of that rise is attributable to durables held at the retail level. Car production remained high even when sales plummeted after the loan incentives were dropped. That's one reason why new programs were reintroduced.

Capital investment was still increasing through the third quarter of 1985. But the Conference Board's **Capital Appropriations and Expenditures** survey of the nation's 1,000 largest manufacturers showed that new appropriations fell for the second straight quarter. The decline was most pronounced in motor vehicles—where spending plans had earlier been stepped up as part of a general retooling. Appropriations were also down in some basic processing industries—textiles, paper and petroleum—while rising in other basic industries—fabricated metals and stone, clay and glass. That mixed picture at the basic processing stage suggests that the drop in appropriations may have only a limited impact on spending.

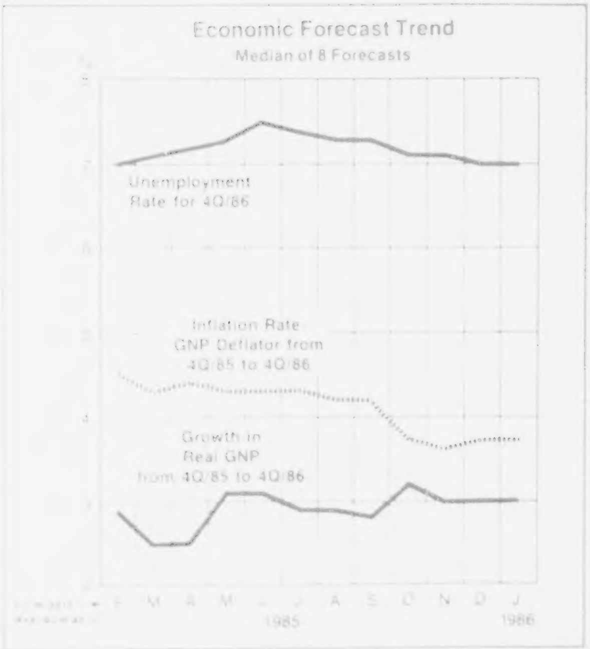
PRICES. After falling for 6 straight months, commodity prices rose in December and November—chiefly due to higher food and metal prices. Farm prices have also began to rebound after a long period of decline. Higher food, metal and energy prices began to show up at the producer price level by December.

INTERNATIONAL MONITOR

Imports were almost 5% lower in November than 2 months earlier. Imports of manufactured goods were down by 6.5%, due largely to lower shipments of machinery. Exports were 1.4% higher despite a drop in shipments of manufactured products. Agricultural shipments were up by 18 percent.

A 3-month decline in the dollar ended in January. The trade-weighted average **Exchange Rate** of the dollar was 6.7% lower in November than 2 months earlier. In December, however, it only fell 0.7 percent. And the dollar actually rose in early January. A spate of good economic reports, particularly on the labor market, may be inducing investors to buy dollars.

Ken Goldstein
January 14, 1986

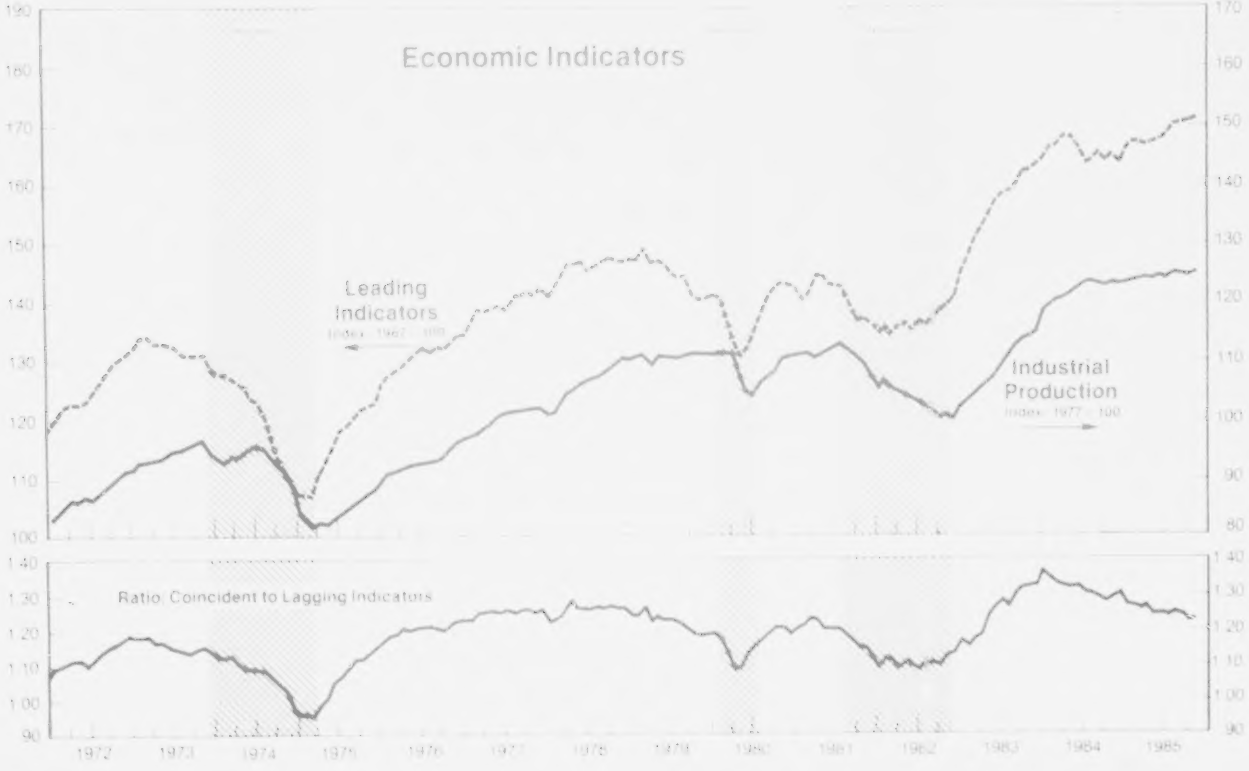


STATUS OF LEADING ECONOMIC INDICATORS

		Rising	Level	Declining	Change over latest three months	Change From Year-Ago
		(Classification based on movement of series over several months)				
Leading Economic Indicators	Nov		X		- 0.9%	- 3.9%
Capital Investment Commitments						
*Contracts and orders, plant & equipment (deflated)	Nov			X	3.8%	5.1%
New orders, nondefense capital goods (deflated)	Nov			X	5.5%	- 6.0%
*New business formation	Nov		X		1.3%	- 0.1%
*Housing permits	Nov		X		6.9%	+ 2.8%
Inventory Investment and Purchasing						
*New orders, consumer goods & materials (deflated)	Nov	X			+ 2.7%	- 3.9%
*Change in inventory, on hand & order (deflated)	Oct		X		1.2%	19.1%
Purchasing agents' buying policy	Dec			X	9.0%	9.0%
*Vendor performance, reported slower deliveries	Nov	X			- 4.0%	4.0%
Industrial raw materials prices	Dec			X	1.5%	10.5%
*Change in sensitive material prices	Dec	X			- 0.4%	- 0.3%
Sensitive Financial Flows						
*Money balance (M2 deflated)	Nov		X		0.3%	- 4.8%
Change in business loans	Nov	X			21.8%	13.0%
*Change in credit outstanding	Nov		X		+ 2.7%	1.0%
Change in consumer installment debt	Oct		X		4.6%	+ 12.0%
Profitability						
Total corporate profits, after tax (deflated)	3rd Q	X			4.5%	0.9%
*Common stock prices	Dec	X			+ 12.6%	+ 26.0%
Marginal Employment Adjustments						
*Average workweek, mfg.	Dec	X			0.3hr	+ 0.4hr
*Initial unemployment claims (inverted)	Dec		X		1.3%	- 4.3%

Note: For a description of the Leading Indicators/Composite index see Bureau of Economic Analysis, *Handbook of Cyclical Indicators* (Washington, D.C.: Government Printing Office) June 1977.

*These twelve series make up the Composite Leading Index charted below.



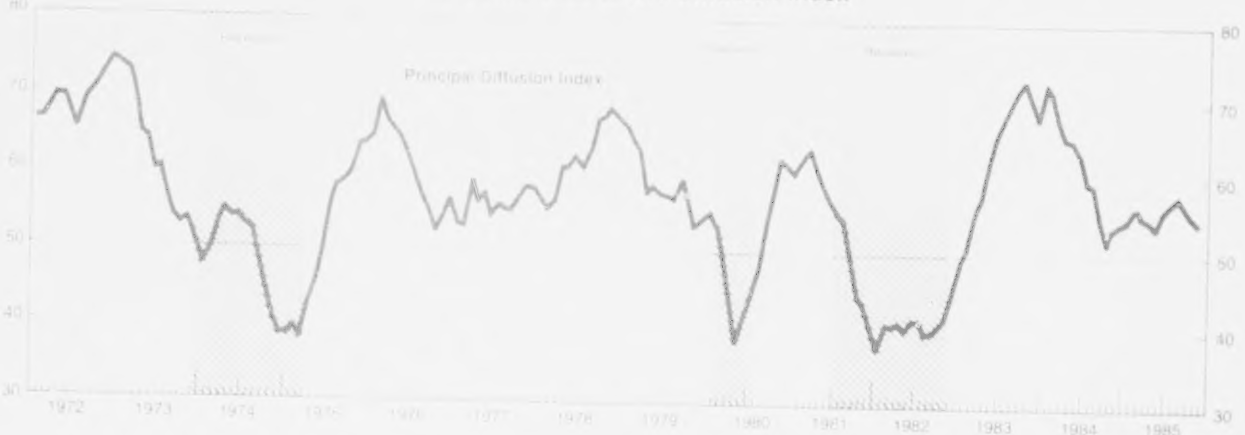
CONFERENCE BOARD DIFFUSION INDEXES

DIFFUSION INDEXES	1984 Nov	1985 Aug	Sept	Oct	Nov (e)
Principal Diffusion Index	52.9	58.0	57.1r	55.2r	54.4
Auxiliary Diffusion Index	58.1	52.9	46.9r	43.8r	47.5
Industrial Group	50.2	61.3	57.4r	58.1r	57.8
Nonindustrial Group	55.6	54.8	55.8	52.2r	51.0
Sense of Diffusion	1	1	1	1	1
SUBGROUP DIFFUSION INDEXES					
Industrial Subgroups					
Production	48.7	65.8	62.8r	64.5r	70.9
Labor	[illegible]	61.3	58.1	61.3	59.6
Miscellaneous	[illegible]	53.5	47.4	40.4	33.3
Nonindustrial Subgroups					
Prices	[illegible]	41.0	34.6	36.5	45.5
Consumer	[illegible]	72.6	76.1	68.8	67.5
Building	[illegible]	56.3	56.4	54.5r	44.9
Miscellaneous	[illegible]	43.8	52.6	44.7r	42.3

Note: [illegible] over the six-month period ending in the month indicated. The index is based [illegible] Each component series carries equal weight in the index, but the direction of recent [illegible] in each of the last 12 months, the current [illegible] weighted more heavily than data from the earlier six-month period. On the other [illegible] weighting would make the current index considerably greater [illegible] The Conference Board *RECORD*, July 1986.

[illegible]

The Conference Board Diffusion Index



BUSINESS EXECUTIVES' EXPECTATIONS

	1983 May	*Aug.*	*Nov.*	*1984* Feb.	*May*	*Aug.*	*Nov.*	*1985* Feb.	*May*	*Aug.*	*Nov.*
					Score (scale 0-100)						
Measure of Business Confidence	76	75	74	70	65	61	57	61	52	51	55
1. Appraisal of Current Economic Conditions Compared With Six Months Ago	76	82	80	76	75	70	57	62	48	45	53
2. Expectations for Economy Six Months Ahead	78	74	73	67	60	57	57	61	53	53	56
3. Expectations for Own Industry Six Months Ahead	72	69	70	67	61	57	58	61	55	54	56

The Measure of Business Confidence is the average of the scores for the three primary questions in the survey. Respondents have five reply options for each question; a score for each question is determined by assigning the following values to the replies and calculating the average value of the replies to the question: Substantially Better—100, Moderately Better—75, Same—50, Moderately Worse—25, Substantially Worse—0. The score for each question and the overall Measure of Business Confidence thus can range from 0 to 100.

CONFERENCE BOARD ESTIMATES OF CAPITAL APPROPRIATIONS AND EXPENDITURES BY MANUFACTURERS AND INVESTOR-OWNED UTILITIES

Billions of Dollars, Seasonally Adjusted

	1984				1985			Percent Change From Previous Year	
	I	II	III	IV	I	IIr	IIIp	1984 Actual	1985 Actual**
1000 LARGEST MANUFACTURING FIRMS									
New appropriations	26.916	34.129	27.309	29.100	29.938	27.560	24.411	32	-11
Capital expenditures	20.129	21.739	23.034	24.587	23.354	24.911	25.968	19	13
Change in appropriations backlog*	4.969	10.715	2.885	2.302	4.984	0.529	3.995		
Durable Goods									
New appropriations	13.387	18.702	12.742	15.072	16.737	10.910	12.782	59	0
Capital expenditures	8.874	10.041	11.101	12.223	11.648	12.814	13.335	33	20
Change in appropriations backlog*	3.659	8.212	1.107	1.797	4.104	-2.515	1.561		
Nondurable Goods									
New appropriations	13.529	15.427	14.567	14.028	13.201	16.650	11.629	11	20
Capital expenditures	11.255	11.698	11.933	12.364	11.706	12.097	12.633	9	6
Change in appropriations backlog*	1.310	2.503	1.778	0.505	0.880	3.044	2.434		
ELECTRIC & GAS UTILITIES									
New appropriations	9.464	7.639	9.863	11.[illegible]	9.086	15.509	5.616	26	
Capital expenditures	8.862	9.016	9.212	9.937	8.828	9.198	9.047	1	
Change in appropriations backlog*	2.863	2.097	1.605	1.047	0.550	4.809	-5.496		

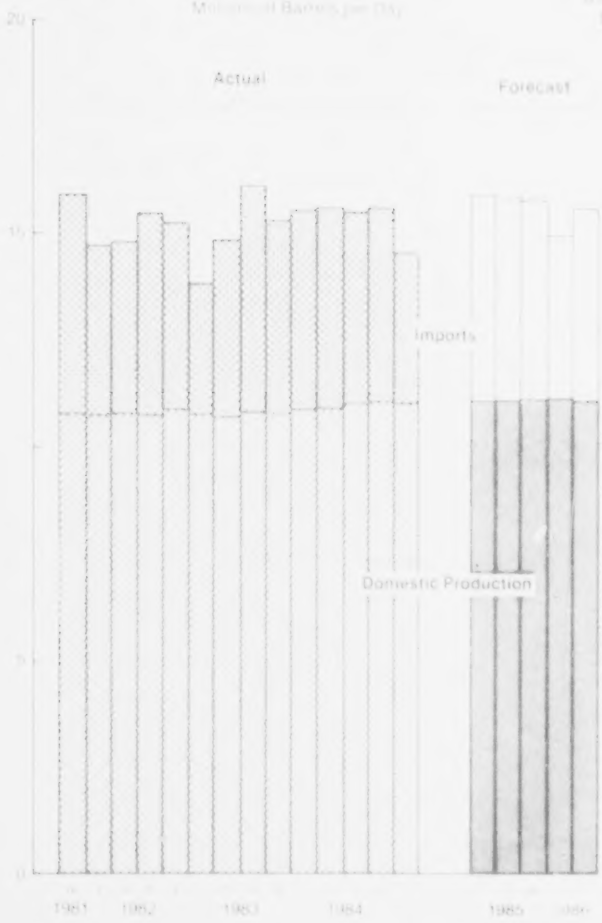
Available on request: Historical data from 1953 (manufacturing) and 1956-1958 (utilities), and quarterly reports containing text and data for 12 separate manufacturing industries, electric and gas utilities.

r—revised p—preliminary

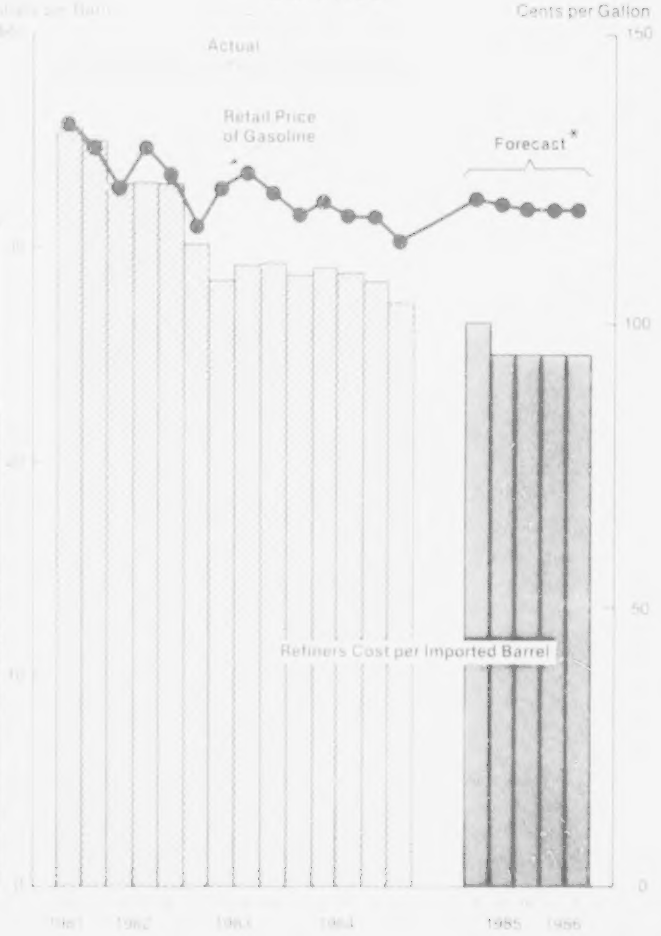
* Change in Backlog = New Appropriations − Expenditures − Cancellations ± Other Adjustments

** Third quarter 1985 over third quarter 1984

Oil Supply



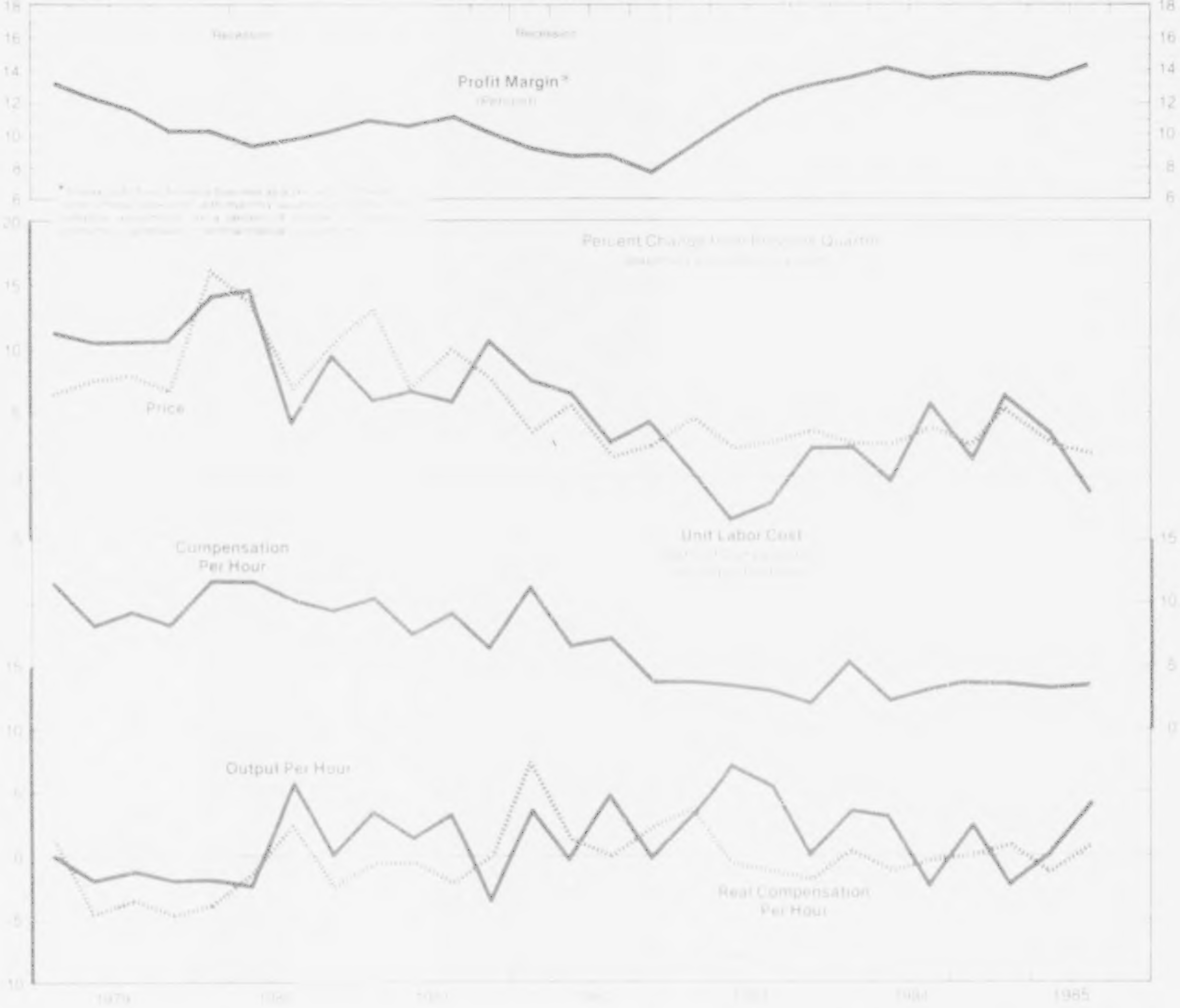
Oil Price



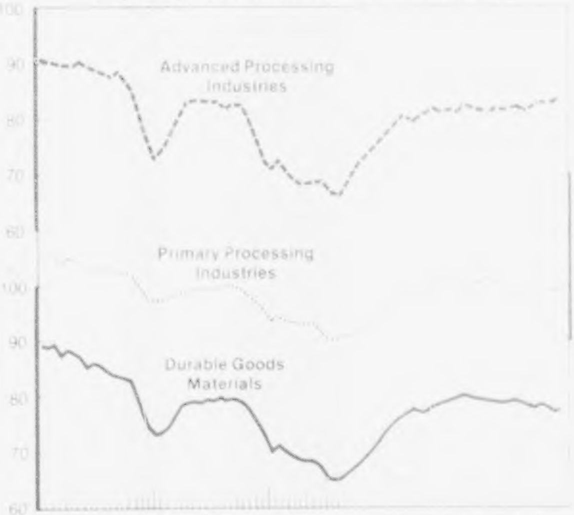
*Source of Forecast: [illegible]

Key Determinants of Profit Margin

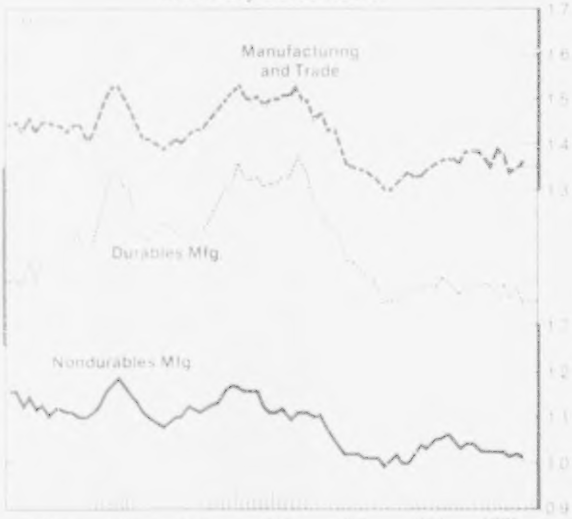
Nonfinancial Corporations



Capacity Utilization Rates Manufacturing



Inventory-Sales Ratios



ECONOMIC FORECASTS

		U.C.L.A.[1] Business Forecasting[3] Project		Merrill Lynch[2] Economics Inc		E.I. duPont[2] de Nemours & Co		Georgia State University[2]	
Date of Forecast		*Nov. 1985*		*Dec. 1985*		*Dec. 1985*		*Dec. 1985*	
		Level	*Percent Change*	*Level*	*Percent Change*	*Level*	*Percent Change*	*Level*	*Percent Change*
Gross National Product **Billions of Current Dollars**									
Actual	1985 III	$3915.9	6.7%	$4016.9	5.8%	$4016.9	5.8%	$4016.9	5.8%
	IV	[illegible]	9.8	[illegible]	5.5	[illegible]	6.0	4072.9	5.7
	1986 I	[illegible]	5.7	[illegible]	6.5	[illegible]	5.1	4086.6	1.4
	II	[illegible]	5.9	4190.2	6.3	[illegible]	5.8	4154.7	6.8
	III	[illegible]	6.7	[illegible]	7.0	[illegible]	7.0	4213.0	5.7
	IV	[illegible]	8.6	[illegible]	7.5	[illegible]	6.6	4287.5	7.3
	1987 I	[illegible]	9.8	[illegible]	7.9	[illegible]	5.8	4358.6	6.8
	II	[illegible]	9.7	[illegible]	7.0	[illegible]	8.6	4436.9	7.4
	III	[illegible]	8.4	[illegible]	8.9	[illegible]	7.3	[illegible]	8.5
	IV	[illegible]	6.5	[illegible]	4.1	[illegible]	7.0	[illegible]	9.1
	1985 Annual	[illegible]	6.4	[illegible]	6.3	[illegible]	5.8	3992.0	5.8
	1986 Annual	[illegible]	6.6	[illegible]	6.2	[illegible]	5.8	[illegible]	4.8
	1987 Annual	[illegible]	6.7	[illegible]	7.1	[illegible]	6.9	4488.2	7.2
Gross National Product **Billions of Constant (1982) Dollars**									
Actual	1985 III	$1688.9	4.3%	$3584.1	3.0%	$3584.1	3.0%	$3584.1	3.0%
	IV	[illegible]	4.9	[illegible]	3.0	[illegible]	3.3	[illegible]	3.0
	1986 I	[illegible]	[illegible]	[illegible]	3.6	[illegible]	2.9	3613.3	.3
	II	[illegible]	2.8	[illegible]	3.0	[illegible]	3.2	[illegible]	3.5
	III	[illegible]	3.4	[illegible]	3.4	[illegible]	3.6	[illegible]	2.1
	IV	[illegible]	3.2	[illegible]	2.9	[illegible]	3.0	3689.8	2.9
	1987 I	[illegible]	5.2	[illegible]	3.4	[illegible]	3.1	3712.8	2.5
	II	[illegible]	4.9	[illegible]	2.4	[illegible]	3.0	3741.1	3.1
	III	[illegible]	3.5	[illegible]	2.2	[illegible]	2.7	3777.0	3.9
	IV	[illegible]	3.4	[illegible]	.3	[illegible]	2.1	[illegible]	3.5
	1985 Annual	[illegible]	2.7	[illegible]	2.4	[illegible]	2.4	[illegible]	2.4
	1986 Annual	[illegible]	3.2	[illegible]	3.1	[illegible]	3.0	3657.8	2.2
	1987 Annual	[illegible]	3.2	[illegible]	2.9	[illegible]	3.0	3760.1	2.9
Gross National Product deflator **Index 1982 100**									
Actual	1985 III	231.9	2.3%	112.1	2.7%	112.1	2.7%	112.1	2.7%
	IV	[illegible]	4.6	[illegible]	2.4	[illegible]	2.6	[illegible]	2.5
	1986 I	[illegible]	3.8	[illegible]	2.8	[illegible]	2.1	[illegible]	1.1
	II	[illegible]	3.2	[illegible]	3.2	[illegible]	3.5	[illegible]	3.2
	III	[illegible]	3.3	[illegible]	3.5	[illegible]	3.3	[illegible]	3.6
	IV	[illegible]	3.1	[illegible]	3.4	[illegible]	3.5	[illegible]	4.2
	1987 I	[illegible]	3.6	[illegible]	4.4	[illegible]	2.6	[illegible]	4.2
	II	[illegible]	4.5	[illegible]	4.5	[illegible]	5.4	[illegible]	4.1
	III	[illegible]	4.7	[illegible]	4.6	[illegible]	4.5	[illegible]	4.5
	IV	[illegible]	5.0	[illegible]	4.4	[illegible]	4.8	[illegible]	5.4
	1985 Annual	[illegible]	3.8	[illegible]	3.3	[illegible]	3.3	[illegible]	3.3
	1986 Annual	[illegible]	3.6	[illegible]	3.0	[illegible]	2.7	[illegible]	2.6
	1987 Annual	[illegible]	4.2	[illegible]	4.5	[illegible]	3.7	[illegible]	4.2
Unemployment Rate									
Actual	1985 III		7.1%		7.1%		7.1%		7.1%
	IV		[illegible]		[illegible]		[illegible]		6.9
	1986 I		[illegible]		[illegible]		[illegible]		6.8
	II		[illegible]		[illegible]		[illegible]		6.7
	III		[illegible]		[illegible]		[illegible]		6.7
	IV		[illegible]		[illegible]		[illegible]		6.8
	1987 I		[illegible]		[illegible]		[illegible]		6.8
	II		[illegible]		[illegible]		[illegible]		6.7
	III		[illegible]		[illegible]		[illegible]		6.6
	IV		[illegible]		[illegible]		[illegible]		6.5
	1985 Annual		[illegible]		[illegible]		[illegible]		7.1
	1986 Annual		[illegible]		[illegible]		[illegible]		6.8
	1987 Annual		[illegible]		[illegible]		[illegible]		6.7

Notes: Percentage changes represent compound annual rates of change from preceding quarter; quarterly data are seasonally adjusted.

[1] Based on revised third quarter data

[2] Based on revised (2nd revision) third quarter data

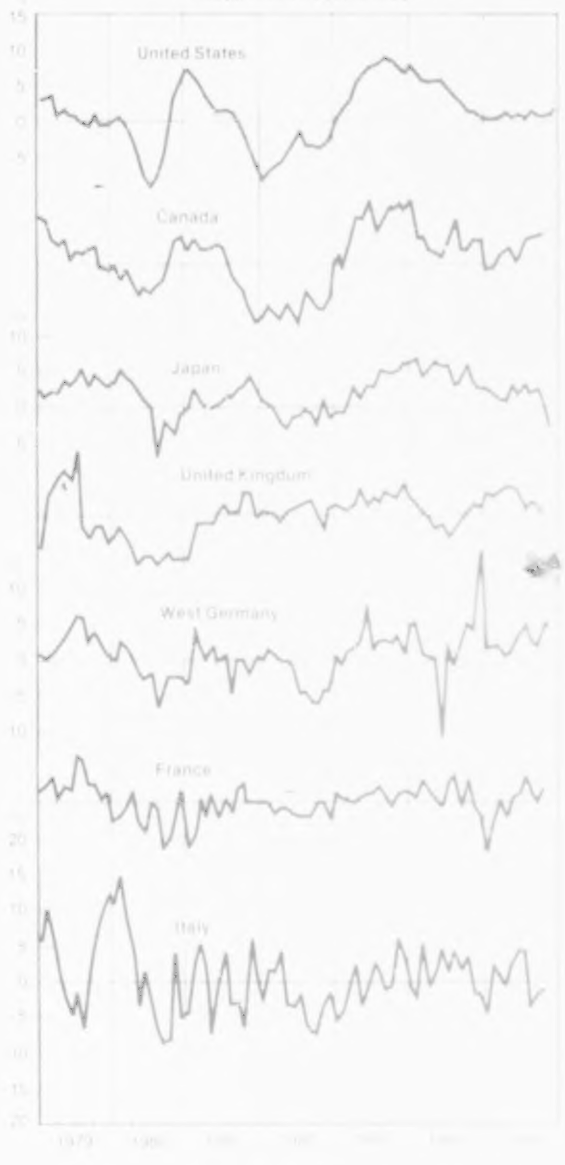
[3] These data are still on a 1972 constant dollar basis

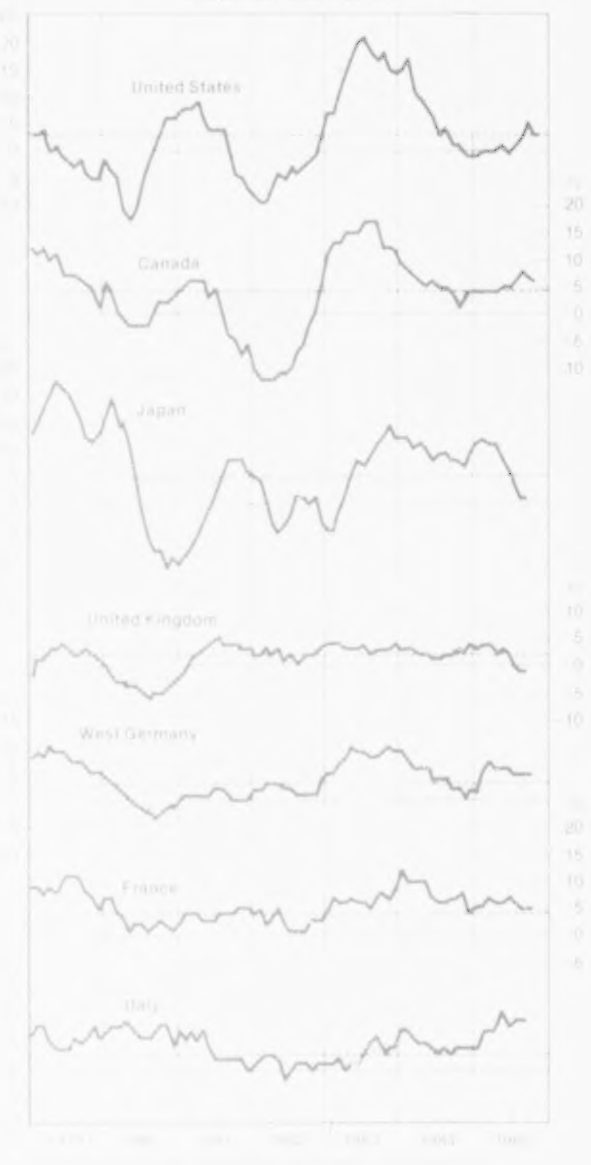
ECONOMIC FORECASTS (continued)

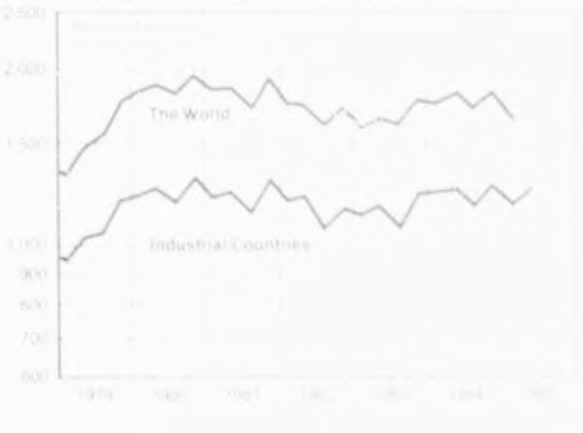
The Conference Board[1]		Chase Econometric[2] Associates, Inc.		Data Resources Inc.		Wharton E.F.A. Inc.				
Dec. 1985		Dec. 1985		Nov. 1985		Dec. 1985		Date of Forecast		
Level	Percent Change	Level	Percent Change	Level	Percent Change	Level	Percent Change			
								Gross National Product Billions of Current Dollars		
$4016.9	5.8%	$4016.9	5.8%	$3915.8	5.7%	$4016.9	5.8%	III	1985	Actual
[illegible]	5.7	[illegible]	8.0	[illegible]	6.9	[illegible]	6.0	IV		
[illegible]	5.7	[illegible]	3.6	[illegible]	2.7	[illegible]	4.8	I	1986	
[illegible]	7.1	[illegible]	4.1	[illegible]	5.9	[illegible]	6.0	II		
[illegible]	6.8	[illegible]	[illegible]	[illegible]	5.8	[illegible]	8.2	III		
[illegible]	5.6	[illegible]	[illegible]	[illegible]	6.2	[illegible]	9.0	IV		
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	8.0	[illegible]	8.1	I	1987	
[illegible]	6.3	[illegible]	[illegible]	[illegible]	7.9	[illegible]	6.7	II		
[illegible]	8.7	[illegible]	[illegible]	[illegible]	7.7	[illegible]	6.8	III		
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	8.4			IV		
[illegible]	5.8	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	5.8	Annual	1985	
[illegible]	6.0	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	6.1	Annual	1986	
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	7.6	Annual	1987	
								Gross National Product Billions of Constant (1982) Dollars		
$3584.1	3.0%	$3584.1	3.0%	[illegible]	3.5%	[illegible]	3.0%	III	1985	Actual
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	2.8	IV		
[illegible]	2.6	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	2.0	I	1986	
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	2.6	II		
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	III		
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	IV		
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	I	1987	
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	II		
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	III		
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]			IV		
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	2.4	Annual	1985	
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	2.9	Annual	1986	
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	3.3	Annual	1987	
								Gross National Product deflator Index, 1982 = 100		
[illegible]	2.7%	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	2.7%	III	1985	Actual
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	IV		
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	I	1986	
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	II		
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	III		
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	IV		
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	I	1987	
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	II		
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	III		
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]			IV		
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	Annual	1985	
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	Annual	1986	
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	4.0	Annual	1987	
								Unemployment Rate		
	[illegible]		[illegible]		[illegible]		[illegible]	III	1985	Actual
	[illegible]		[illegible]		[illegible]		[illegible]	IV		
	[illegible]		[illegible]		[illegible]		[illegible]	I	1986	
	[illegible]		[illegible]		[illegible]		[illegible]	II		
	[illegible]		[illegible]		[illegible]		[illegible]	III		
	[illegible]		[illegible]		[illegible]		[illegible]	IV		
	[illegible]		[illegible]		[illegible]		[illegible]	I	1987	
	[illegible]		[illegible]		[illegible]		[illegible]	II		
	[illegible]		[illegible]		[illegible]		[illegible]	III		
	[illegible]		[illegible]		[illegible]		[illegible]	IV		
	[illegible]		[illegible]		[illegible]		[illegible]	Annual	1985	
	[illegible]		[illegible]		[illegible]		[illegible]	Annual	1986	
	[illegible]		[illegible]		[illegible]		[illegible]	Annual	1987	

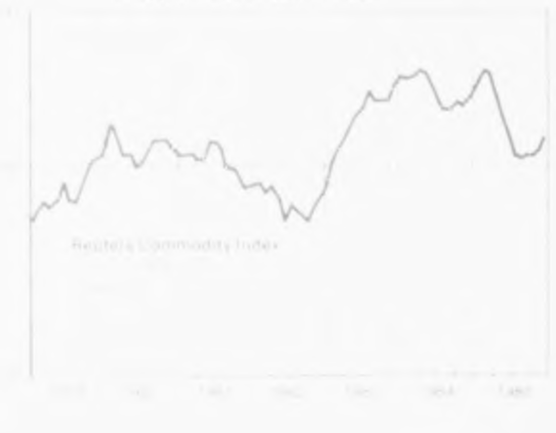
[illegible]

SELECTED INTERNATIONAL COMPARISONS


INDUSTRIAL PRODUCTION INDEXES

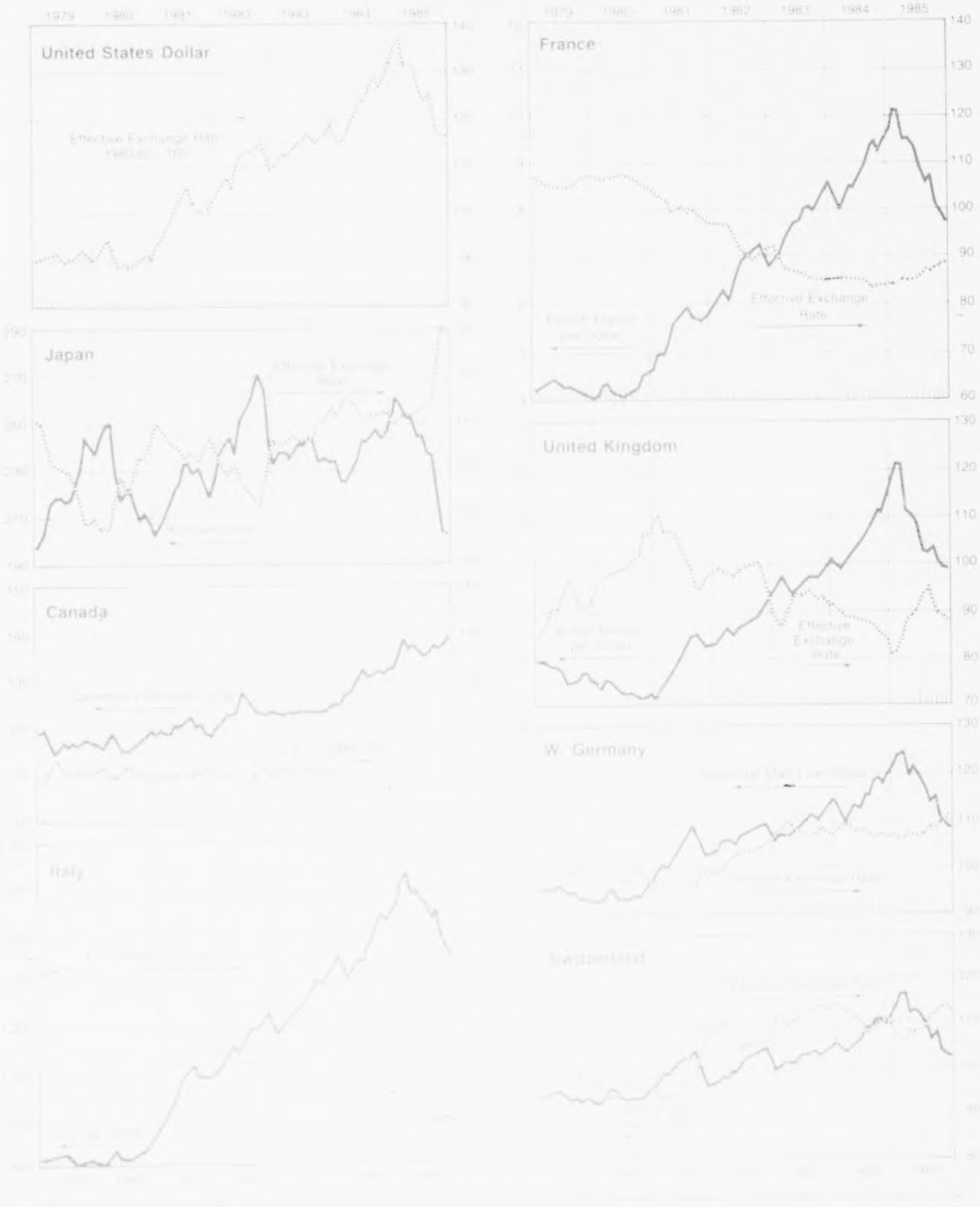

LEADING BUSINESS CYCLE INDEXES


MERCHANDISE TRADE: VALUE OF EXPORTS


RAW MATERIALS PRICES

Foreign Exchange Rates

Indexes: 1980-82 = 100



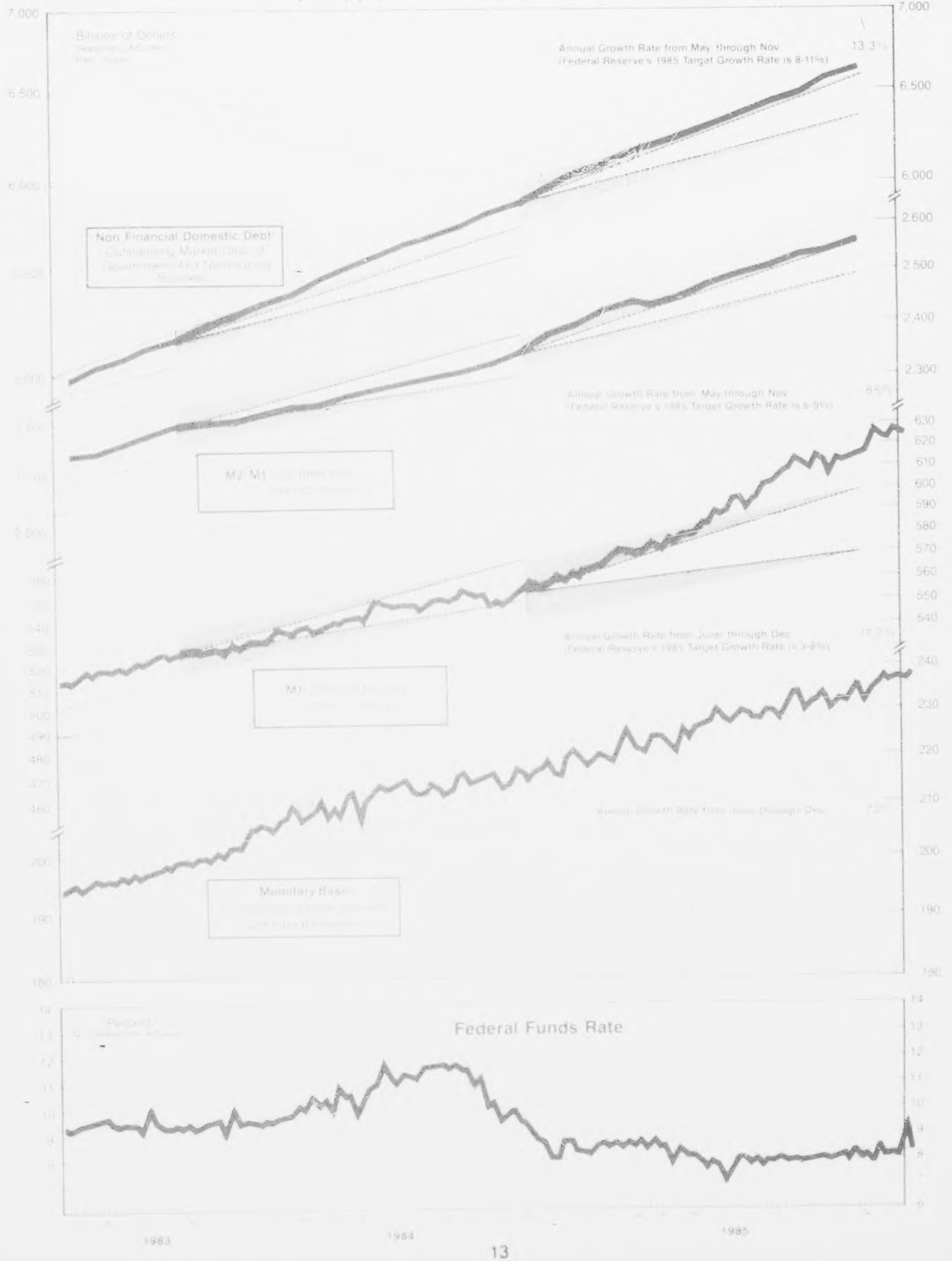
PERSPECTIVE ON THE FEDERAL BUDGET
(Billions of Current Dollars)

	Fiscal 1986		Fiscal 1987		Fiscal 1988	
	Administration's Latest Estimate	Congress's Latest Estimate	Administration's Latest Estimate	Congress's Latest Estimate	Administration's Latest Estimate	Congress's Latest Estimate
	(8/30/85)	(8/15/85)	(8/30/85)	(8/15/85)	(8/30/85)	(8/15/85)
Receipts	$ 779.8	$ 790.0	$ 850.1	$ 858.0	$ 937.0	$ 939.0
Outlays	957.7	965.0	989.4	1,021.0	1,036.8	1,082.0
Deficit	177.8	175.0	139.3	163.0	99.8	143.0
Receipts by source	779.8	790.0	850.1	858.0	937.0	939.0
Individual income taxes	[illegible]	[illegible]	[illegible]	395.0	429.8	434.0
Social security	[illegible]	[illegible]	[illegible]	[illegible]	343.8	338.0
Corporate income taxes	[illegible]	[illegible]	[illegible]	87.0	94.4	96.0
Other receipts	[illegible]	[illegible]	[illegible]	71.0	69.0	71.0
Outlays by function	957.7	965.0	989.4	1,021.0	1,036.8	1,082.0
Social security and medicare	[illegible]	[illegible]	[illegible]	[illegible]	308.3	312.9
National defense	[illegible]	[illegible]	[illegible]	[illegible]	303.9	304.0
Income security	[illegible]	[illegible]	[illegible]	[illegible]	124.1	130.6
Health	[illegible]	[illegible]	[illegible]	[illegible]	37.1	40.7
Education and training	[illegible]	[illegible]	[illegible]	[illegible]	28.2	32.1
Transportation	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	28.1
Veterans' benefits	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	27.7
International affairs	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	16.4
Agriculture	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	13.7
Natural resources	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	13.0
General science	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	9.0
Justice	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	7.2
Community development	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	6.8
General government	[illegible]		[illegible]	[illegible]	[illegible]	5.5
Commerce and housing credit	[illegible]		[illegible]	[illegible]	[illegible]	5.7
Energy	[illegible]		[illegible]	[illegible]	[illegible]	4.5
Revenue sharing	[illegible]			[illegible]	[illegible]	[illegible]
Interest	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	165.0
Allowances	[illegible]		[illegible]		[illegible]	8.5
Offsetting receipts	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	-41.9

ECONOMIC ASSUMPTIONS OF THE BUDGET

GNP						
Current Dollar	$4,236.7	$4,210.0	$4,589.4	$4,548.0	$4,959.3	$4,905.0
Constant (1972) Dollar	1,754.6	1,743.0	1,824.8	1,802.0	1,897.6	1,865.0
Percent change in						
Current dollar	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	7.9%
Constant (1972) dollar	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	3.5
Implicit price deflator	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	4.2
Consumer price index	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	4.2
91 Day T-bill rate	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	7.2
Unemployment rate	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	6.6

Money Supply and Monetary Growth Targets



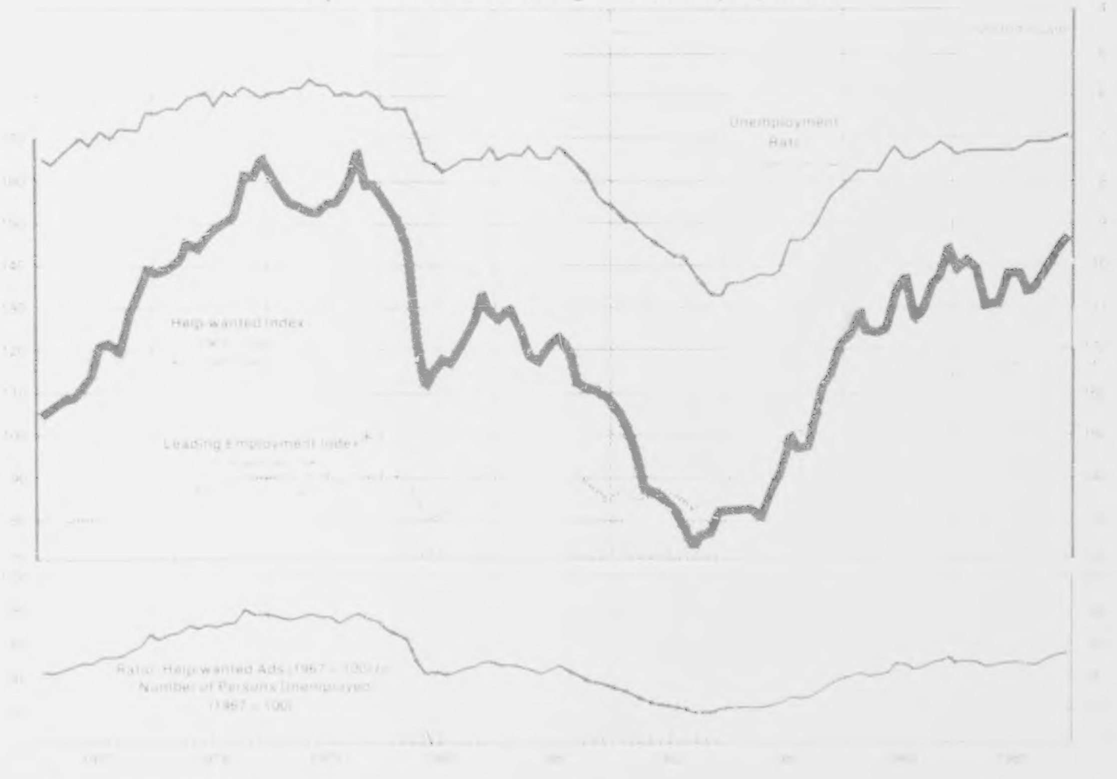
CONFERENCE BOARD HELP-WANTED ADVERTISING INDEXES

Seasonally Adjusted Indexes: 1967 = 100

	1985			1984
Locality	Nov.	Oct.	Sept.	Nov.
National Index	143	140	136	137
New England	186	185	147	183
Boston	[illegible]	199	136	198
Hartford	180	256	181	84
Providence	129	124	104	109
Middle Atlantic	78	[illegible]	82	83
Albany	183	133	163	138
Allentown	149	150	131	131
New York	58	56	[illegible]	[illegible]
Philadelphia	82	103	101	87
Pittsburgh	81	80	101	108
Rochester	96	83	104	94
Syracuse	116	113	121	127
East North Central	92	91	90	98
Chicago	113	98	107	108
Cincinnati	117	120	130	120
Cleveland	80	78	70	[illegible]
Columbus	146	144	144	140
Dayton	84	102	108	100
Detroit	81	115	104	77
Gary	131	117	100	100
Indianapolis	102	100	96	104
Milwaukee	66	[illegible]	101	100
Toledo	121	113	111	100
West North Central	96	93	98	100
Kansas City	98	145	121	130
Minneapolis	[illegible]	74	[illegible]	90
Omaha	148	[illegible]	[illegible]	[illegible]
St. Louis	81	74	77	100
South Atlantic	150	150	176	150
Atlanta	300	300	301	87
Baltimore	[illegible]	100	100	[illegible]
Charlotte	141	143	141	141
Jacksonville	240	217	205	202
Miami	86	85	79	77
Richmond	120	116	119	88
Washington, D.C.	187	179	165	161
East South Central	149	150	139	127
Birmingham	171	160	149	139
Knoxville	193	200	182	178
Louisville	94	102	89	77
Memphis	111	102	109	104
Nashville	204	194	197	175
West South Central	223	220	219	274
Dallas	307	328	289	392
Houston	221	265	273	337
New Orleans	104	101	96	119
Oklahoma City	109	120	126	154
San Antonio	154	169	182	199
Tulsa	125	123	142	154
Mountain	337	335	310	339
Denver	654	660	600	719
Phoenix	386	385	445	493
Salt Lake City	357	385	339	353
Pacific	213	209	205	200
Los Angeles	150	150	149	148
Sacramento	322	366	345	321
San Bernardino	200	209	207	187
San Diego	480	473	377	430
San Francisco	300	267	206	233
Seattle	196	191	196	182
Ratio: Help-wanted to				
persons unemployed	[illegible]	.59	.63	.53
Unemployment rate	7.0	7.1	7.1	7.1

Note: [illegible] The Conference Board, 1977.
= Preliminary. NA = not available.

Help-wanted Advertising and Unemployment



* [illegible]

CONFERENCE BOARD INDEXES OF CONSUMER CONFIDENCE AND BUYING PLANS

Indexes: 1969-1970 = 100

(Seasonally Adjusted)

Consumer Confidence Index

	Jan.	Feb.	Mar.	Apr.	May	June	July	Aug.	Sept.	Oct.	Nov.	Dec.
1983	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	90.2	95.1
1984	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	96.8	85.9
1985	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	86.0p

Buying Plans Index

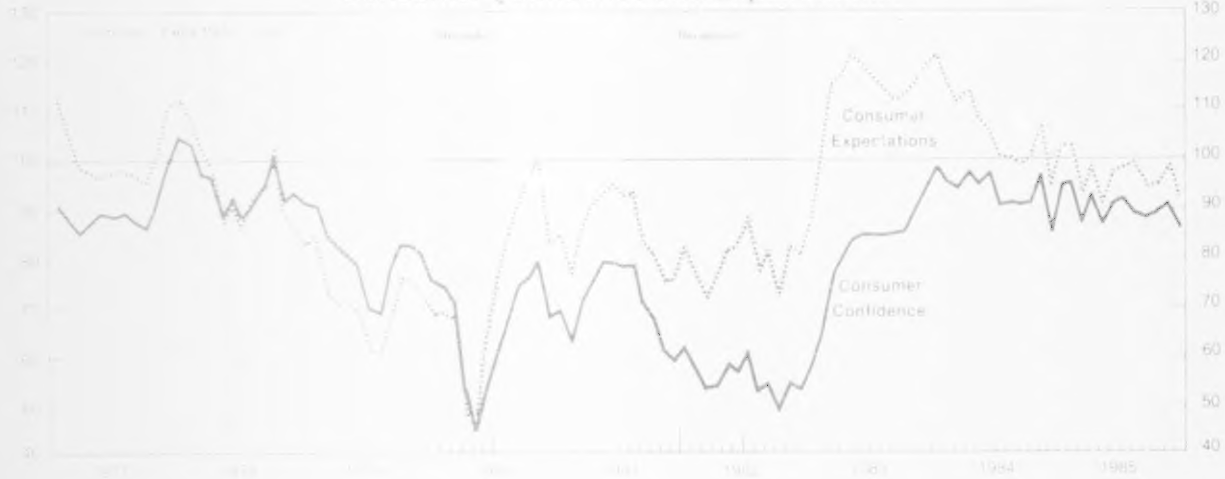
	Jan.	Feb.	Mar.	Apr.	May	June	July	Aug.	Sept.	Oct.	Nov.	Dec.
1983	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	108.9	108.5
1984	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	96.2
1985	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	110.4r	111.2p

[illegible] appliances. [illegible] six months hence. Data [illegible] appears in The Conference Board [illegible]

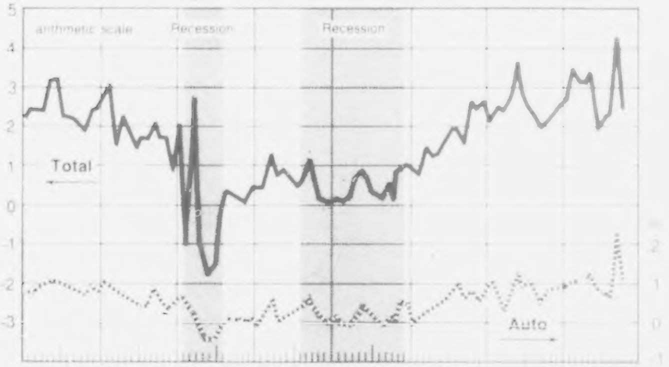
[illegible]

p—preliminary r—revised

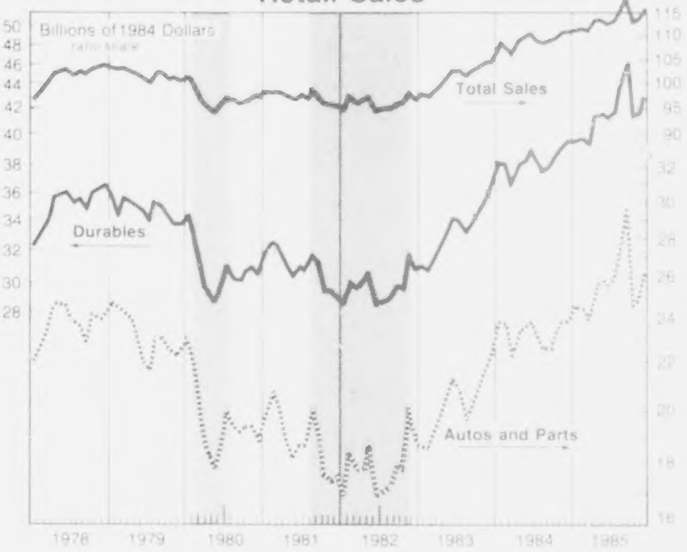
Consumer Confidence and Expectations



Consumer Installment Debt Expansion ÷ Personal Income



Retail Sales



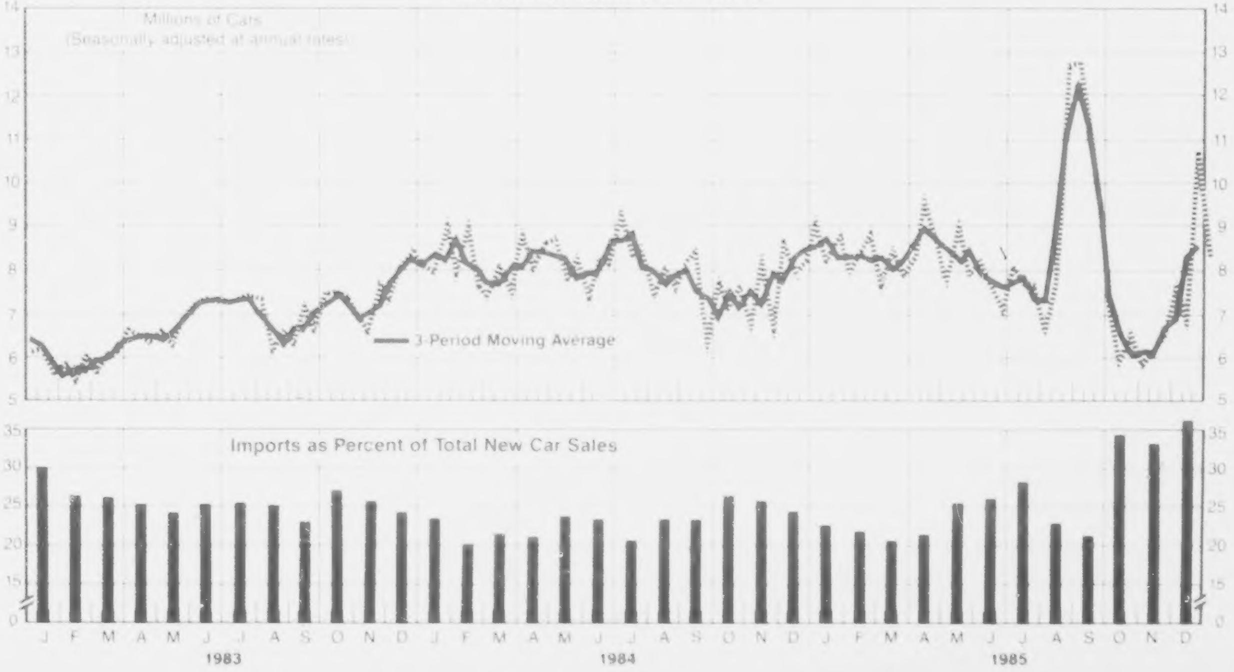
CONFERENCE BOARD ESTIMATES OF NEW AUTO SALES, BY 10-DAY PERIODS

Millions, Seasonally Adjusted at Annual Rate

Periods		1982	1983	1984	1985
January	1-10	5.53	6.17	8.16	9.14
	11-20	5.59	6.20	7.84	8.16
	21-31	5.14	5.60	9.15	8.78
February	1-10	6.10	5.86	7.79	7.97
	11-20	6.03	5.30	9.17	8.28
	21-28(29)	6.06	6.07	7.60	8.81
March	1-10	5.46	5.61	7.35	7.60
	11-20	5.68	6.10	8.13	8.55
	21-31	6.17	6.19	7.35	7.86
April	1-10	5.06	6.69	8.88	8.30
	11-20	6.14	6.52	7.96	9.76
	21-30	5.62	6.35	8.60	8.73
May	1-10	6.31	6.67	8.75	7.65
	11-20	6.53	6.30	7.74	9.13
	21-31	5.77	6.97	8.43	7.88
June	1-10	6.00	7.23	7.22	8.35
	11-20	4.24	7.34	8.25	7.67
	21-30	4.56	7.28	8.10	7.10
July	1-10	4.98	7.25	9.51	8.09
	11-20	5.56	7.36	8.32	7.71
	21-31	5.34	7.43	8.59	7.69
August	1-10	5.27	7.39	7.33	6.59
	11-20	5.00	6.11	8.07	7.69
	21-31	5.72	6.65	7.43	12.69
September	1-10	5.16	6.26	8.13	12.75
	11-20	6.75	7.21	8.52	11.27
	21-30	6.11	6.55	6.03	9.59
October	1-10	5.22	7.52	7.83	7.03
	11-20	5.36	7.56	7.07	5.88
	21-31	5.91	7.45	7.70	6.62
November	1-10	6.56	6.96	6.60	5.78
	11-20	6.98	6.55	8.44	6.14
	21-30	6.48	7.62	6.57	6.50
December	1-10	6.03	7.30	8.75	7.65
	11-20	6.45	8.09	7.96	6.63
	21-31	6.64	8.48	8.19	10.64

Note: Dealer sales exclude exports and foreign-model cars (unless manufactured domestically.) Data from Ward's Automotive Reports are seasonally adjusted by The Conference Board. Prior data available upon request.

Domestic-Model Car Sales



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The Conference Board
70th Anniversary

THE CONFERENCE BOARD'S STATISTICAL BULLETIN COMMENTARY

* LABOR MARKET REBOUND CONTINUES
* PERSONAL INCOME GROWING MODERATELY, AND
* CONSUMER SPENDING IS EXPANDING
* CONSTRUCTION, ESPECIALLY NONRESIDENTIAL, IS BOOMING
* INDUSTRIAL PRODUCTION IS RISING
* BUT NEW ORDERS ARE COMING IN SLOWLY
* OUTLOOK * FORECASTERS HAVE RAISED THEIR SIGHTS FOR BOTH
THE FIRST AND SECOND HALVES OF 1986

OVERVIEW: The collapse in oil prices certainly enhances prospects for more growth and less inflation in 1986. With lower energy prices, consumers will spend less for gasoline and home heating oil. That will allow them to spend more on other things. Lower prices, then, will have the affect of a rise in income. Given the already low savings rate, more income will quickly lead to more spending.

Lower energy prices will also help reduce production costs. And business will produce more as consumer spending quickens. More sales and lower costs will enhance prospects for profits. More production will bring some idled capacity on stream. Higher capacity utilization may convince planners to invest in new capacity. More profits may mean more internal funds will be available for investment.

The collapse of oil prices will certainly reduce inflation expectations. The inflation premium in interest rates, then, should come down. Lower interest rates will mean lower financing charges on funds borrowed for consumer spending or business investment.

How much faster will the economy grow? In each of the last 3 months, The median **Economic Forecast** for real GNP growth was 3%, seasonally adjusted annual rate, for the 4-quarter span ending in the fourth quarter of 1986. That median was raised to 3 [illegible]% in the latest computer run.

DOMESTIC MARKETS MONITOR

Labor market improvements have outpaced expectations. **The Economic Forecasts** indicated that the unemployment rate might fall to 6.7% by the second quarter of 1986. But steady gains in service employment, modest increases in manufacturing and a surge in construction hiring all helped bring the unemployment rate down to 6.7% in January.

Total hours worked in private industry continue to rise at a fairly brisk pace. It was 5.4% higher, annual rate, in January than 3 months earlier. Indeed, retail trade, one of the few industries in which the workweek fell in December, had a rise in January. But the big change was in the construction workweek. To 38.5 hours in January, from 37.2 hours in December. The rise in total hours is a strong signal that the economy has developed some momentum. The sharp rise in construction hours may suggest that the ongoing boom in nonresidential building will continue.

The Conference Board's **Help-wanted Index** has been rising slowly over the last few months. The upward trend in this measure of the intensity of labor demand suggests that employers may continue to hire new workers over the next few months. But there is no sign that pay rates are going up. The average hourly rate in private industry has remained at $8.70 for the last 5 months. Employers can afford to hire, then, but can't afford to relax their policy of wage-gain moderation.

The rise in employment and in hours worked, but not hourly pay rates, has quickened the pace of income growth. Nonwage income has also started to climb. For example, rental income surged to $18.9 billion in December from $11.7 billion in August.

Growth in consumer installment debt slowed in November and December. Auto sales fell and so did auto loans. And revolving credit slowed in December. Considering the faster pace of car sales in January, auto loans undoubtedly increased.

The rise in retail sales was surprisingly small in January. Consumers are getting somewhat higher wages, more rental income, more stock dividends and are seeing the value of their stocks rise in an ongoing bull market. But the retail sales data suggest that they are shopping carefully before making a purchase. For example, domestic car sales improved in January as consumers took advantage of discount-loan incentives. Sales of foreign cars, however, fell. Durable goods sales improved in December and January. But meager gains in nondurable sales in December were followed by declines in January.

After falling for 3 months, single family home sales rebounded in November and December. But sales remain lower than in July. The sales recovery, and some recent decline in building activity, helped pare the inventory ac

Ken Goldstein, Editor

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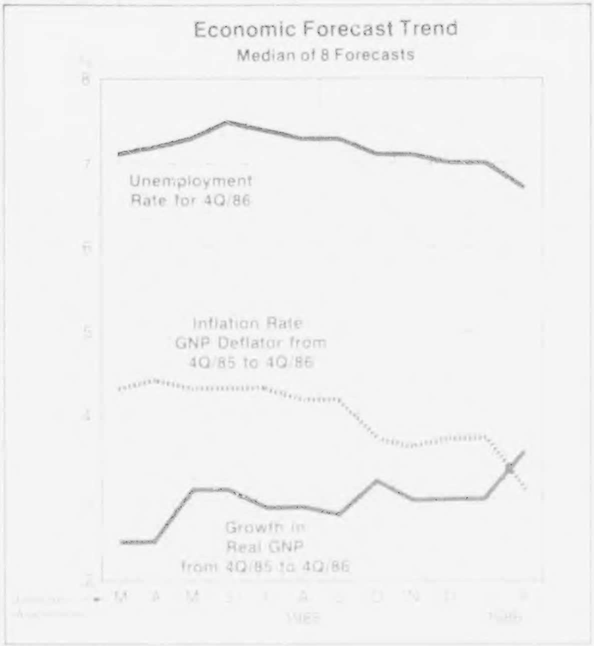


cumulation of unsold homes, that inventory drop, and expectations that sales might continue to recover, has spurred homebuilders to step up construction. Still, multi-unit housing starts have been rising faster of late than single-unit starts.

Nonresidential construction has risen more sharply in recent months than has homebuilding. The deflated value of new construction on industrial, office, and commercial buildings was sharply higher in December. Even construction on roads and highways is rising at a brisk pace.

Industrial production was 1.[illegible]% higher in December than 3 months earlier. Over the prior 3 months, it only increased by 0.2 percent. The rise in production has helped bring some idled capacity back on stream. The capacity utilization rate, which had dropped to 79.8% in October, was up to 80.5% in December. These gains in production and capacity use would be even more if new orders were stronger. Except for a sharp pickup in nonmetallic [illegible] orders remain sluggish. In fact, durable orders (minus aircraft) were no higher in December than last August. Orders for primary and fabricated metals as well as nonelectrical machinery (almost 40% of the total) fell in December. Production gains, then, have been accomplished by reducing the backlog of old orders.

INVENTORY: Car sales fell in October and November and car lots filled up. With the pickup in sales in December and January, some of those lots were probably emptied. But the inventory data also show that durable goods piled up on retail shelves in November. The gains in retail sales of durables (except autos) may have helped empty some of those shelves.

PRICES: After firming for 2 months, commodity prices fell in January. Food prices, up sharply in the prior 2 months, fell in January—as did meat prices. Metal prices, however, rose 1.4% in January, following a 1.7% rise in December.

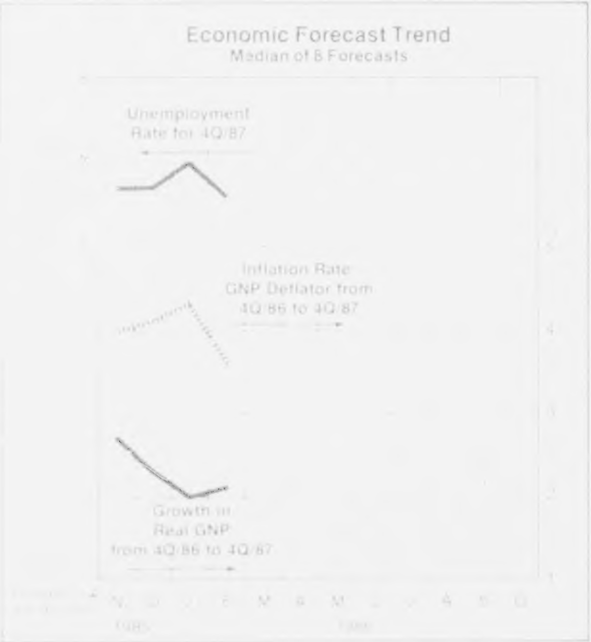
But the biggest news on commodity prices has to be the steep drop in oil prices on the spot market. There is some suggestion that lower oil prices might make a full percentage point difference in the inflation rate this year.

INTERNATIONAL MONITOR

Imports have been rising at a somewhat slower pace in the last few months. Imports were 3.4% higher in December than 3 months earlier, but had risen by 5.6% over the prior 3 months. Fuel shipments were 14.3% higher in December than 3 months earlier. But shipments of manufacturing material—for further assembly—and for food and chemicals were all lower in December than 3 months earlier. Whether that reflects a change in trend, temporary aberration, or statistical fluke bears careful watching.

Exports are falling. Exports were 4% lower in December than 3 months earlier. That principally reflects a 7% drop in manufacturing products. Thus, the trade deficit hasn't narrowed despite somewhat slower imports.

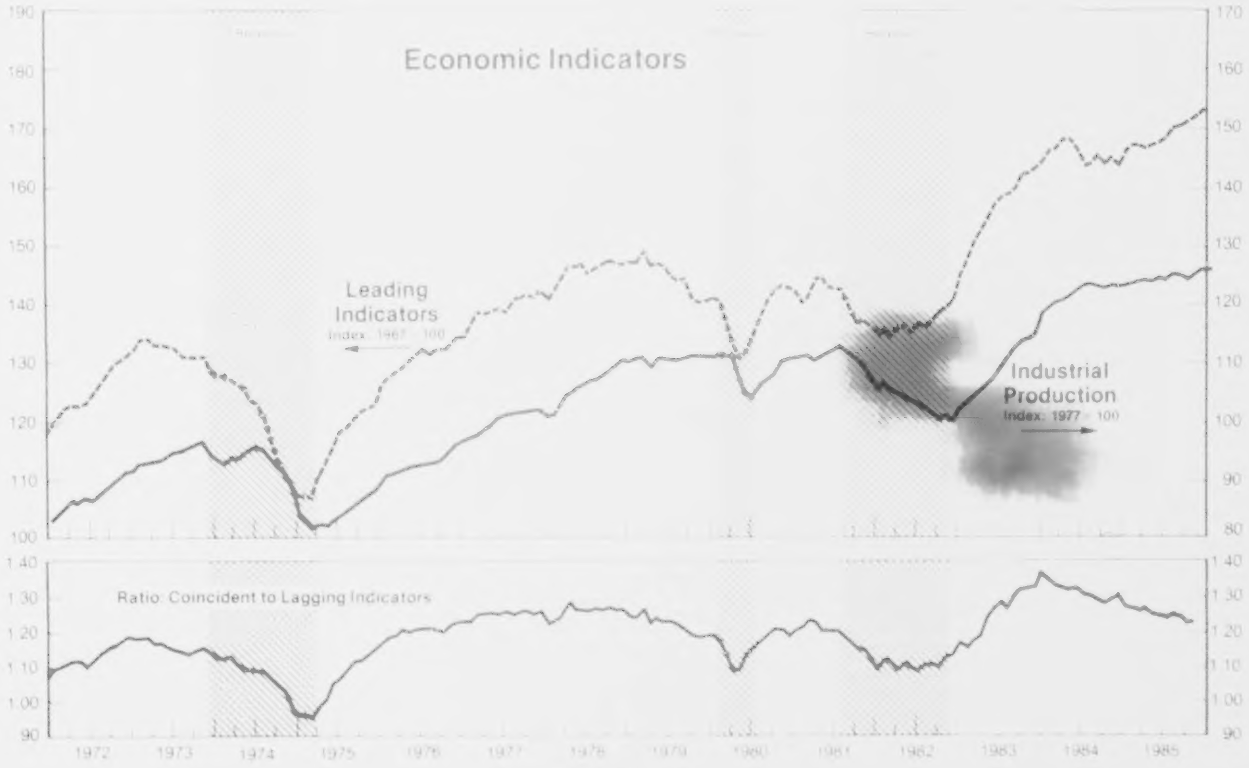
Ken Goldstein
February 12, 1986



STATUS OF LEADING ECONOMIC INDICATORS

		Rising	Level	Declining	Change over latest three months	Change From Year-Ago
		(Classification based on movement of series over several months)				
Leading Economic Indicators	Dec	X			+ 1.8%	+ 5.8%
Capital Investment Commitments						
*Contracts and orders, plant & equipment (deflated)	Dec		X		4.8%	+ 9.9%
New orders, nondefense capital goods (deflated)	Dec		X		2.3%	+ 12.2%
*New business formation	Dec			X	2.0%	1.3%
*Housing permits	Dec	X			3.6%	− 17.2%
Inventory Investment and Purchasing						
*New orders, consumer goods & materials (deflated)	Dec		X		0.8%	− 2.7%
*Change in inventory, on hand & order (deflated)	Nov	X			4.6%	8.9%
Purchasing agents' buying policy	Jan		X		1.0%	7.0%
*Vendor performance, reported slower deliveries	Jan		X		0.0%	1.0%
Industrial raw materials prices	Jan		X		0.3%	7.1%
*Change in sensitive material prices	Dec		X		0.4%	+ 0.3%
Sensitive Financial Flows						
*Money balance (M2 deflated)	Dec		X		0.1%	+ 4.2%
Change in business loans	Dec	X			60.2%	− 39.9%
*Change in credit outstanding	Dec		X		1.8%	− 4.4%
Change in consumer installment debt	Dec			X	10.1%	14.4%
Profitability						
Total corporate profits, after tax (deflated)	III Q	X			3.2%	1.9%
*Common stock prices	Jan	X			11.8%	− 21.3%
Marginal Employment Adjustments						
*Average workweek, mfg.	Jan	X			0.2hr	0.3hr
*Initial unemployment claims (inverted)	Dec			X	3.6%	1.3%

Note: For a description of the Leading Indicators Composite Index see Bureau of Economic Analysis, *Handbook of Cyclical Indicators* (Washington, D.C.: Government Printing Office, June, 1977).
*These twelve items make up the Composite Leading Index charted below.



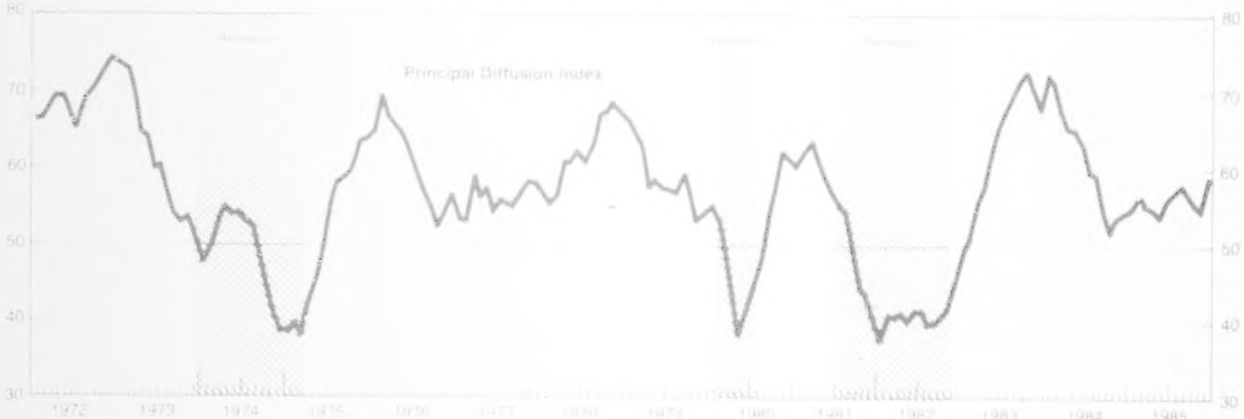
CONFERENCE BOARD DIFFUSION INDEXES

DIFFUSION INDEXES	1984 Dec	1985 Sept	Oct	Nov	Dec (p)
Principal Diffusion Index	[illegible]	[illegible]	[illegible]	54.6r	59.0
Auxiliary Diffusion Index	[illegible]	[illegible]	[illegible]	47.3r	64.4
Industrial Group	[illegible]	[illegible]	[illegible]	56.3r	60.6
Nonindustrial Group	[illegible]	[illegible]	[illegible]	54.0r	57.5
Sense of Diffusion	[illegible]	[illegible]	[illegible]	↑	↑
SUBGROUP DIFFUSION INDEXES					
Industrial Subgroups					
Production	[illegible]	[illegible]	[illegible]	61.1r	67.9
Labor	[illegible]	[illegible]	[illegible]	60.5r	63.5
Miscellaneous	[illegible]	[illegible]	[illegible]	43.3	42.3
Nonindustrial Subgroups					
Prices	[illegible]	[illegible]	[illegible]	45.5	54.5
Consumer	[illegible]	[illegible]	68.8r	67.5	66.7
Building	[illegible]	56.3	[illegible]	52.6r	59.0
Miscellaneous	[illegible]	[illegible]	49.8r	47.0r	49.4

Note: [illegible] in the month indicated. The index is based [illegible] weight in the index, but the direction of recent [illegible] in each of the last 12 months, the current [illegible] from the prior six-month period. On the other [illegible] would make the current index considerably greater [illegible]

[illegible]

The Conference Board Diffusion Index



BUSINESS EXECUTIVES' EXPECTATIONS

	1983 *May*	*Aug*	*Nov*	*1984* *Feb*	*May*	*Aug*	*Nov*	*1985* *Feb*	*May*	*Aug*	*Nov*
	Score (scale 0-100)										
Measure of Business Confidence	[illegible]	[illegible]	[illegible]	[illegible]	63	63	57	61	52	51	55
1. Appraisal of Current Economic Conditions Compared With Six Months Ago	76	82	80	[illegible]	[illegible]	70	[illegible]	62	48	45	53
2. Expectations for Economy Six Months Ahead	79	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	57	61	[illegible]	53	56
3. Expectations for Own Industry Six Months Ahead	[illegible]	[illegible]	[illegible]	[illegible]	61	[illegible]	58	61	55	54	56

The Measure of Business Confidence is the average of the scores for the three primary questions in the survey. Respondents have five reply options for each question; a score for each question is determined by assigning the following values to the replies and calculating the average value of the replies to the question: Substantially Better—100, Moderately Better—75, Same—50, Moderately Worse—25, Substantially Worse—0. The score for each question and the overall Measure of Business Confidence thus can range from 0 to 100.

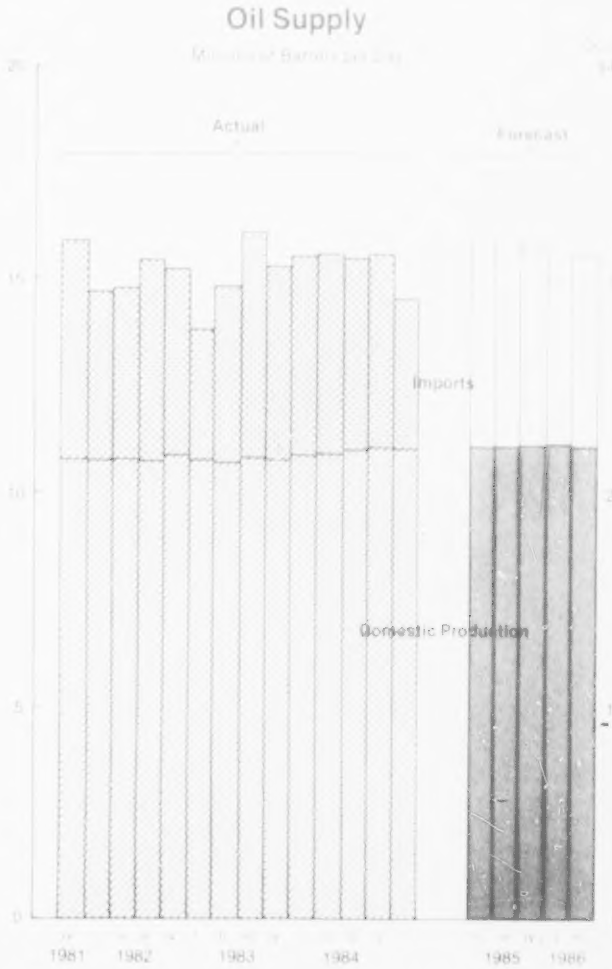
CONFERENCE BOARD ESTIMATES OF CAPITAL APPROPRIATIONS AND EXPENDITURES BY MANUFACTURERS AND INVESTOR-OWNED UTILITIES

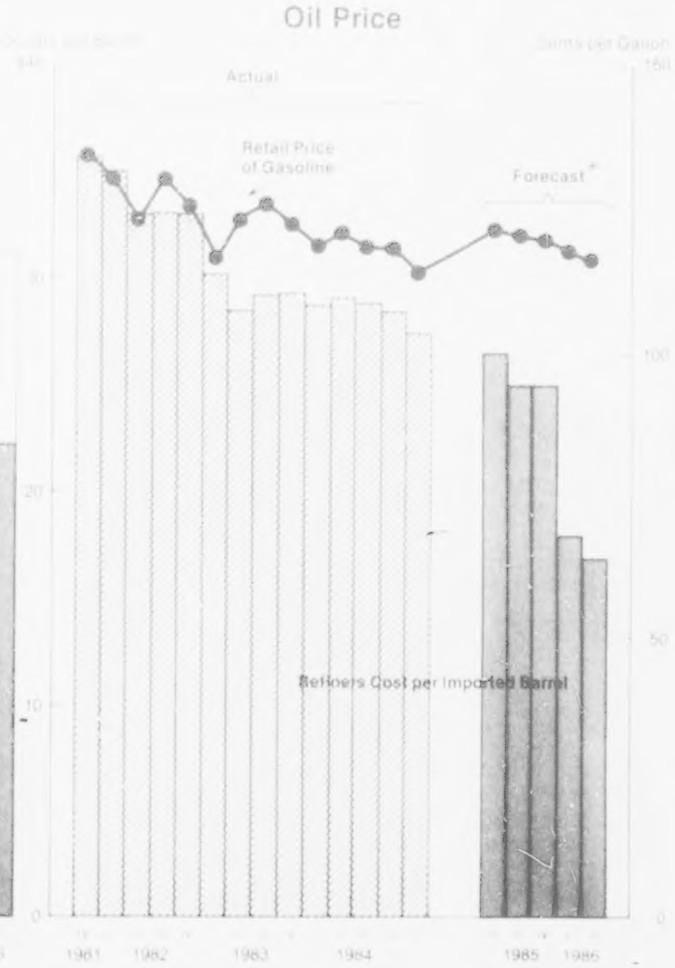
Billions of Dollars, Seasonally Adjusted

	1984				1985			Percent Change From Previous Year	
	I	II	III	IV	I	IIr	IIIp	1984 Actual	1985 Actual*
1000 LARGEST MANUFACTURING FIRMS									
New appropriations	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	11
Capital expenditures	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	19	13
Change in appropriations backlog	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]		
Durable Goods									
New appropriations	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Capital expenditures	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	20
Change in appropriations backlog	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]		
Nondurable Goods									
New appropriations	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Capital expenditures	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	8	6
Change in appropriations backlog	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]		
ELECTRIC & GAS UTILITIES									
New appropriations	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	
Capital expenditures	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	
Change in appropriations backlog	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]		

[illegible]

[illegible]

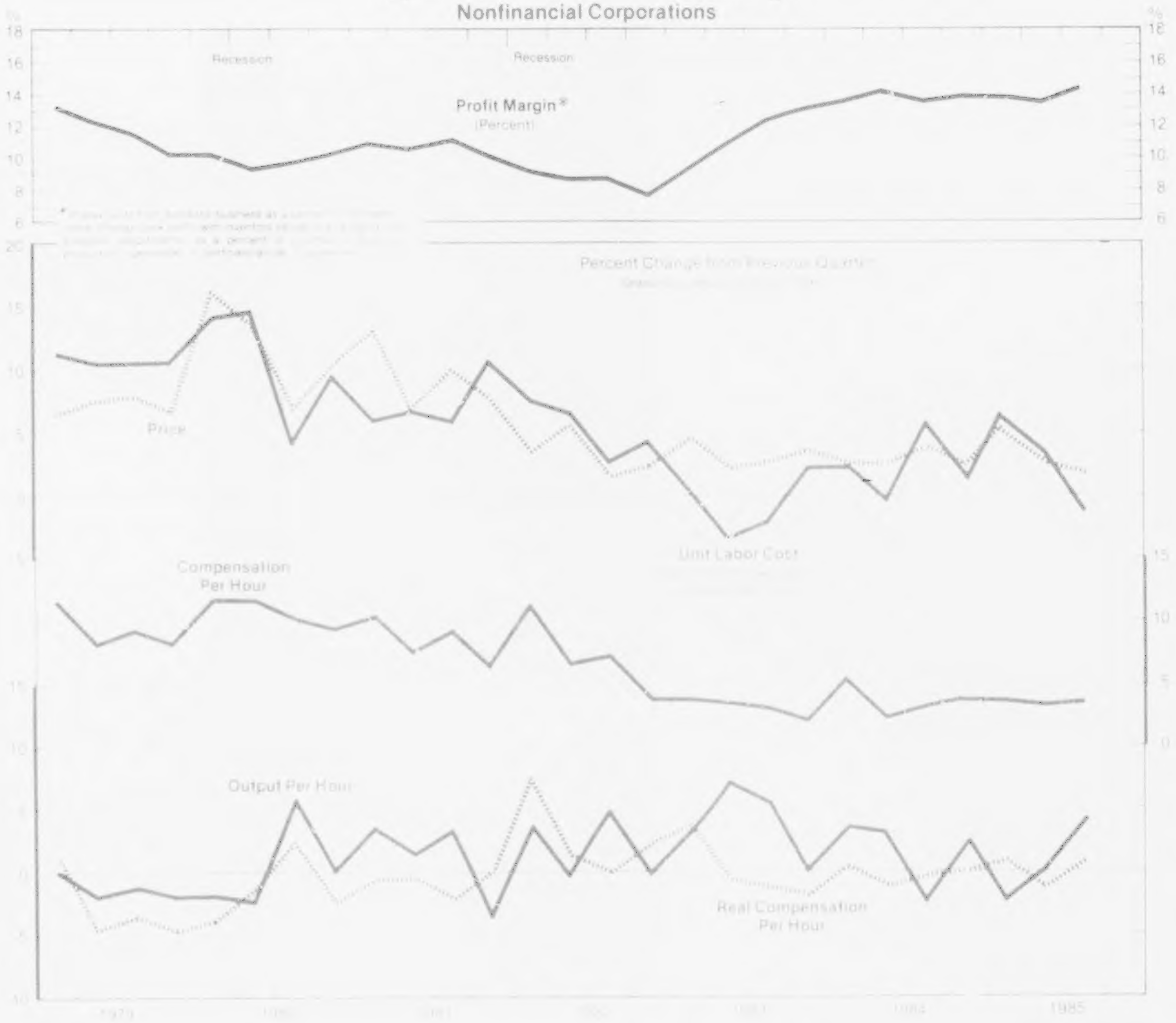


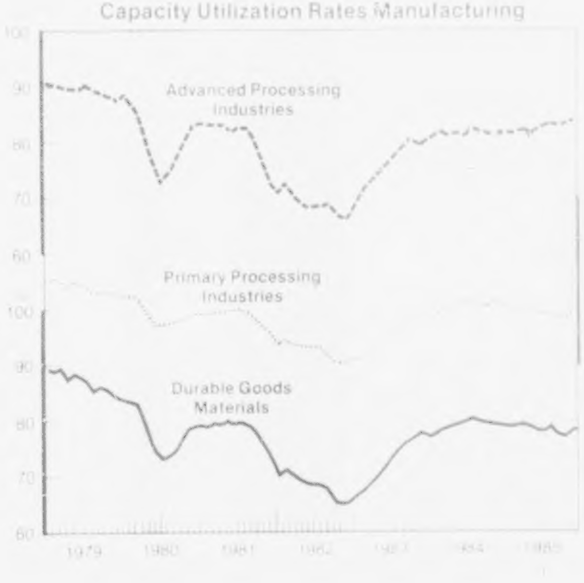


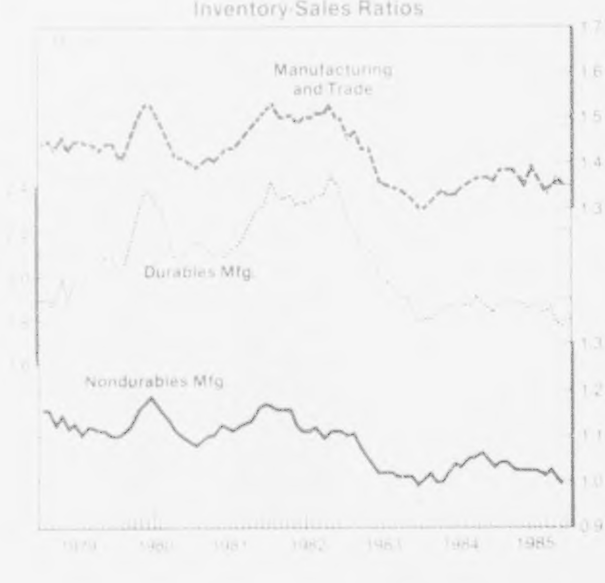
*Source of Forecast is The Energy Information Administration, Department of Energy

Key Determinants of Profit Margin

Nonfinancial Corporations




Capacity Utilization Rates Manufacturing


Inventory-Sales Ratios

ECONOMIC FORECASTS

			U.C.L.A.[1] Business Forecasting Project		Merrill Lynch[1] Economics Inc		E.I. duPont[1] de Nemours & Co		Georgia State University[1]	
Date of Forecast			*Jan. 1986*		*Jan. 1986*		*Jan. 1986*		*Jan. 1986*	
			Level	*Percent Change*	*Level*	*Percent Change*	*Level*	*Percent Change*	*Level*	*Percent Change*
Gross National Product Billions of Current Dollars										
Actual	1985	IV	$4075.1	5.9%	$4075.1	5.9%	$4075.1	5.9%	$4075.1	5.9%
	1986	I	4136.8	6.1	[illegible]	7.5	4137.6	6.3	4154.3	8.0
		II	4209.8	7.4	[illegible]	6.3	4208.3	7.0	4214.8	6.0
		III	4296.4	8.4	[illegible]	6.9	4283.4	7.4	4274.3	5.8
		IV	4386.8	8.8	[illegible]	6.7	[illegible]	6.6	4346.8	7.0
	1987	I	[illegible]	10.2	[illegible]	7.5	[illegible]	5.2	4414.8	6.4
		II	[illegible]	9.2	[illegible]	6.8	[illegible]	6.6	4476.8	5.8
		III	[illegible]	8.1	[illegible]	6.8	[illegible]	6.9	[illegible]	5.2
		IV	[illegible]	8.8	[illegible]	6.3	[illegible]	[illegible]	[illegible]	5.4
	1988	I	[illegible]	8.7						
Actual	1985	Annual	3992.5	5.8	3992.5	5.8	3992.5	5.8	3992.5	5.8
	1986	Annual	[illegible]	6.6	[illegible]	6.4	[illegible]	6.1	[illegible]	6.4
	1987	Annual	[illegible]	9.0	[illegible]	6.8	[illegible]	5.9	[illegible]	6.1
Gross National Product Billions of Constant (1982) Dollars										
Actual	1985	IV	$3605.0	2.4%	$3605.0	2.4%	$3605.0	2.4%	$3605.0	2.4%
	1986	I	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	4.0
		II	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	3.8
		III	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	2.4
		IV	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	3.4
	1987	I	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	1.9
		II	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	1.3
		III	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	0.7
		IV	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	0.9
	1988	I	[illegible]	[illegible]						
Actual	1985	Annual	3573.8	2.3	3573.8	2.3	3573.8	2.3	3573.8	2.3
	1986	Annual	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	3.2
	1987	Annual	[illegible]	4.1	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	2.0
Gross National Product deflator Index 1982 = 100										
Actual	1985	IV	113.0	3.5%	113.0	3.5%	113.0	3.8%	113.0	3.5%
	1986	I	[illegible]	[illegible]	[illegible]	[illegible]		[illegible]	[illegible]	2.8
		II	[illegible]	[illegible]	[illegible]	[illegible]		[illegible]	[illegible]	3.0
		III	[illegible]	3.4	[illegible]	[illegible]		[illegible]	[illegible]	3.3
		IV	[illegible]	[illegible]	[illegible]	[illegible]		3.5	[illegible]	3.5
	1987	I	[illegible]	[illegible]	[illegible]	[illegible]		[illegible]	[illegible]	4.4
		II	[illegible]	3.3	[illegible]	[illegible]	[illegible]	4.2	[illegible]	4.2
		III	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	4.5	[illegible]	4.5
		IV	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	4.0	[illegible]	4.5
	1988	I	[illegible]	[illegible]						
Actual	1985	Annual	111.7	3.4	111.7	3.4	111.7	3.4	111.7	3.4
	1986	Annual	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
	1987	Annual	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	4.0
Unemployment Rate										
Actual	1985	IV		7.0%		7.0%		7.0%		7.0%
	1986	I		[illegible]		[illegible]		[illegible]		[illegible]
		II		[illegible]		[illegible]		[illegible]		[illegible]
		III		[illegible]		[illegible]		[illegible]		[illegible]
		IV		[illegible]		[illegible]		[illegible]		[illegible]
	1987	I		[illegible]		[illegible]		[illegible]		[illegible]
		II		[illegible]		[illegible]				[illegible]
		III		[illegible]		[illegible]				[illegible]
		IV		[illegible]		[illegible]				[illegible]
	1988	I		[illegible]						
Actual	1985	Annual		7.1		7.1		7.1		7.1
	1986	Annual		[illegible]		[illegible]		[illegible]		[illegible]
	1987	Annual		[illegible]		[illegible]		[illegible]		[illegible]

Notes: Percentage changes represent compound annual rates of change from preceding period. Quarterly data are seasonally adjusted.

[1] Based on revised fourth quarter data.

ECONOMIC FORECASTS (continued)

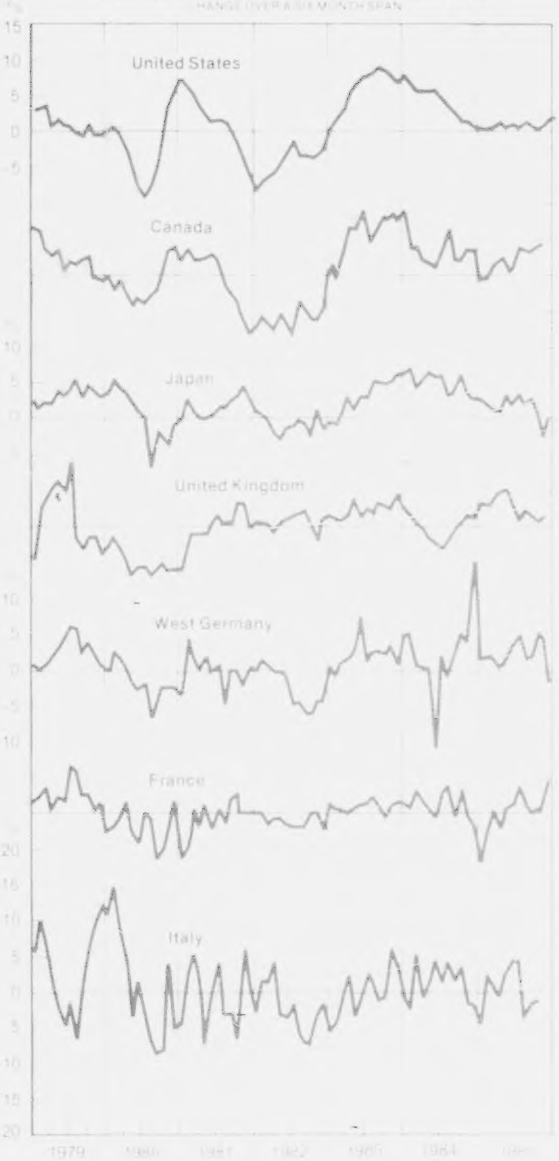
The Conference Board[1]		Chase Econometric[1] Associates, Inc.		Data Resources Inc.[1]		Wharton E.F.A. Inc.[1]				
Jan. 1986		*Jan. 1986*		*Jan. 1986*		*Jan. 1986*		*Date of Forecast*		
Level	*Percent Change*	*Level*	*Percent Change*	*Level*	*Percent Change*	*Level*	*Percent Change*			
								Gross National Product Billions of Current Dollars		
$4075.1	5.9%	$4075.1	5.9%	$4075.1	5.9%	$4075.1	5.9%	IV	1985	Actual
4149.2	7.5	[illegible]	6.2	4139.6	6.5	4133.9	5.9	I	1986	
4235.3	8.6	[illegible]	4.5	4184.7	4.5	4196.8	6.1	II		
4324.3	7.7	[illegible]	7.2	4244.0	5.8	4269.4	7.2	III		
4394.3	6.7	[illegible]	[illegible]	4293.1	4.6	4356.2	8.4	IV		
4478.0	8.1	[illegible]	8.1	4357.4	6.2	4433.5	7.3	I	1987	
[illegible]	[illegible]	[illegible]	6.2	4437.7	7.5	4503.1	6.4	II		
[illegible]	5.8	[illegible]	[illegible]	4515.3	7.5	4575.8	6.6	III		
[illegible]	7.1	[illegible]	6.1	[illegible]	7.1	4649.0	6.0	IV		
		[illegible]	6.9	[illegible]	8.4	4715.4	6.2	I	1988	
3992.5	5.8	3992.5	5.8	3992.5	5.8	3992.5	5.8	Annual	1985	Actual
[illegible]	[illegible]	[illegible]	5.4	[illegible]	5.6	4238.8	6.2	Annual	1986	
4481.3	4.8	[illegible]	6.2	[illegible]	6.2	4538.7	7.1	Annual	1987	
								Gross National Product Billions of Constant (1982) Dollars		
$3605.0	2.4%	$3605.0	2.4%	$3605.0	2.4%	$3605.0	2.4%	IV	1985	Actual
[illegible]	3.1	[illegible]	2.9	[illegible]	2.2	[illegible]	2.8	I	1986	
[illegible]	2.8	[illegible]	[illegible]	[illegible]	1.8	[illegible]	3.1	II		
[illegible]	[illegible]	[illegible]	2.8	[illegible]	3.0	[illegible]	3.9	III		
[illegible]	3.5	[illegible]	[illegible]	[illegible]	3.3	[illegible]	5.0	IV		
[illegible]	[illegible]	[illegible]	2.7	[illegible]	2.5	[illegible]	4.1	I	1987	
[illegible]	2.5	[illegible]	[illegible]	[illegible]	4.7	[illegible]	3.4	II		
[illegible]	2.9	[illegible]	[illegible]	[illegible]	3.9	[illegible]	3.0	III		
[illegible]	2.9	[illegible]	2.4	[illegible]	3.4	[illegible]	2.4	IV		
		[illegible]	[illegible]	[illegible]	3.1	[illegible]	2.1	I	1988	
3573.6	2.3	3573.6	2.3	3573.6	2.3	3573.6	2.3	Annual	1985	Actual
[illegible]	2.4	[illegible]	[illegible]	[illegible]	2.4	[illegible]	2.0	Annual	1986	
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	2.9	[illegible]	3.8	Annual	1987	
								Gross National Product deflator Index, 1982 = 100		
113.0	3.5%	113.0	3.5%	113.0	3.5%	113.0	3.5%	IV	1985	Actual
[illegible]	2.8	[illegible]	3.4	[illegible]	2.5	[illegible]	3.0	I	1986	
[illegible]	4.0	[illegible]	3.8	114.5	2.7	114.7	2.9	II		
[illegible]	4.1	[illegible]	3.8	[illegible]	2.7	[illegible]	3.2	III		
[illegible]	4.6	[illegible]	4.5	[illegible]	3.0	[illegible]	3.2	IV		
[illegible]	4.2	[illegible]	4.3	[illegible]	3.6	[illegible]	3.0	I	1987	
[illegible]	3.9	[illegible]	3.6	[illegible]	2.2	[illegible]	3.0	II		
121.0	3.8	[illegible]	3.5	[illegible]	3.4	[illegible]	3.5	III		
[illegible]	4.0	[illegible]	3.2	[illegible]	3.7	[illegible]	3.6	IV		
		[illegible]	3.8	[illegible]	3.1	[illegible]	4.0	I	1988	
111.7	3.4	111.7	3.4	111.7	3.4	111.7	3.4	Annual	1985	Actual
[illegible]	3.6	[illegible]	3.3	[illegible]	3.1	115.2	3.1	Annual	1986	
120.2	4.1	119.0	3.8	[illegible]	3.2	118.8	3.2	Annual	1987	
								Unemployment Rate		
	7.0%		7.0%		7.0%		7.0%	IV	1985	Actual
	6.7		7.1		6.9		7.0	I	1986	
	6.6		[illegible]		6.9		7.1	II		
	6.6		6.8		6.9		7.0	III		
	6.7		[illegible]		6.9		6.9	IV		
	7.1		[illegible]		6.9		6.8	I	1987	
	7.0		6.6		6.9		6.6	II		
	7.0		[illegible]		6.8		6.5	III		
	7.0		6.6		[illegible]		6.4	IV		
			6.6		6.6		6.4	I	1988	
	7.1		7.1		7.1		7.1	Annual	1985	Actual
	6.6		6.9		6.9		7.0	Annual	1986	
	7.0		6.6		6.8		6.6	Annual	1987	

Please Note: In the interest of speeding the data contained in this publication to you, these series are available on-line through The Conference Board Data Base. For more information contact [illegible] Walker or Ken Goldstein at (212) 759-0900.

SELECTED INTERNATIONAL COMPARISONS

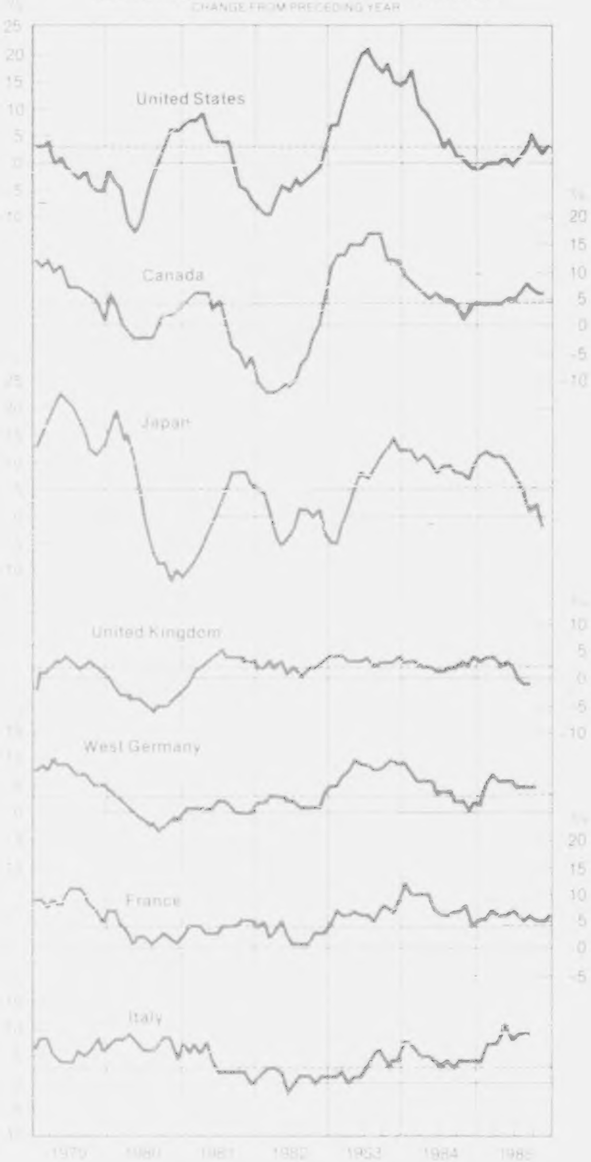
INDUSTRIAL PRODUCTION INDEXES

CHANGE OVER A SIX MONTH SPAN

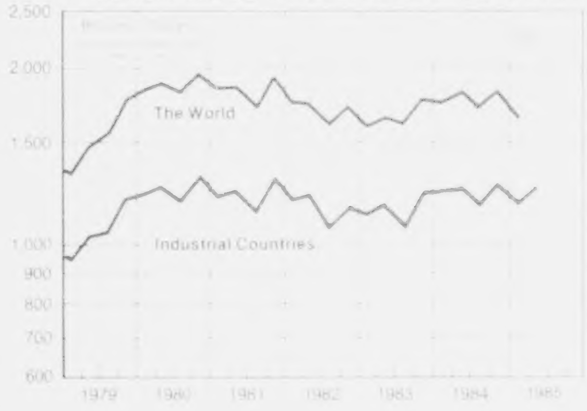


LEADING BUSINESS CYCLE INDEXES

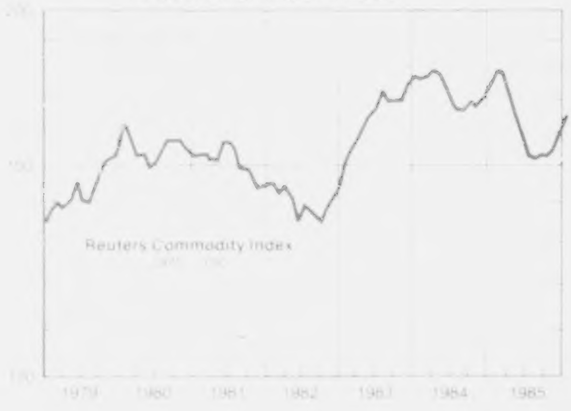
CHANGE FROM PRECEDING YEAR



MERCHANDISE TRADE VALUE OF EXPORTS

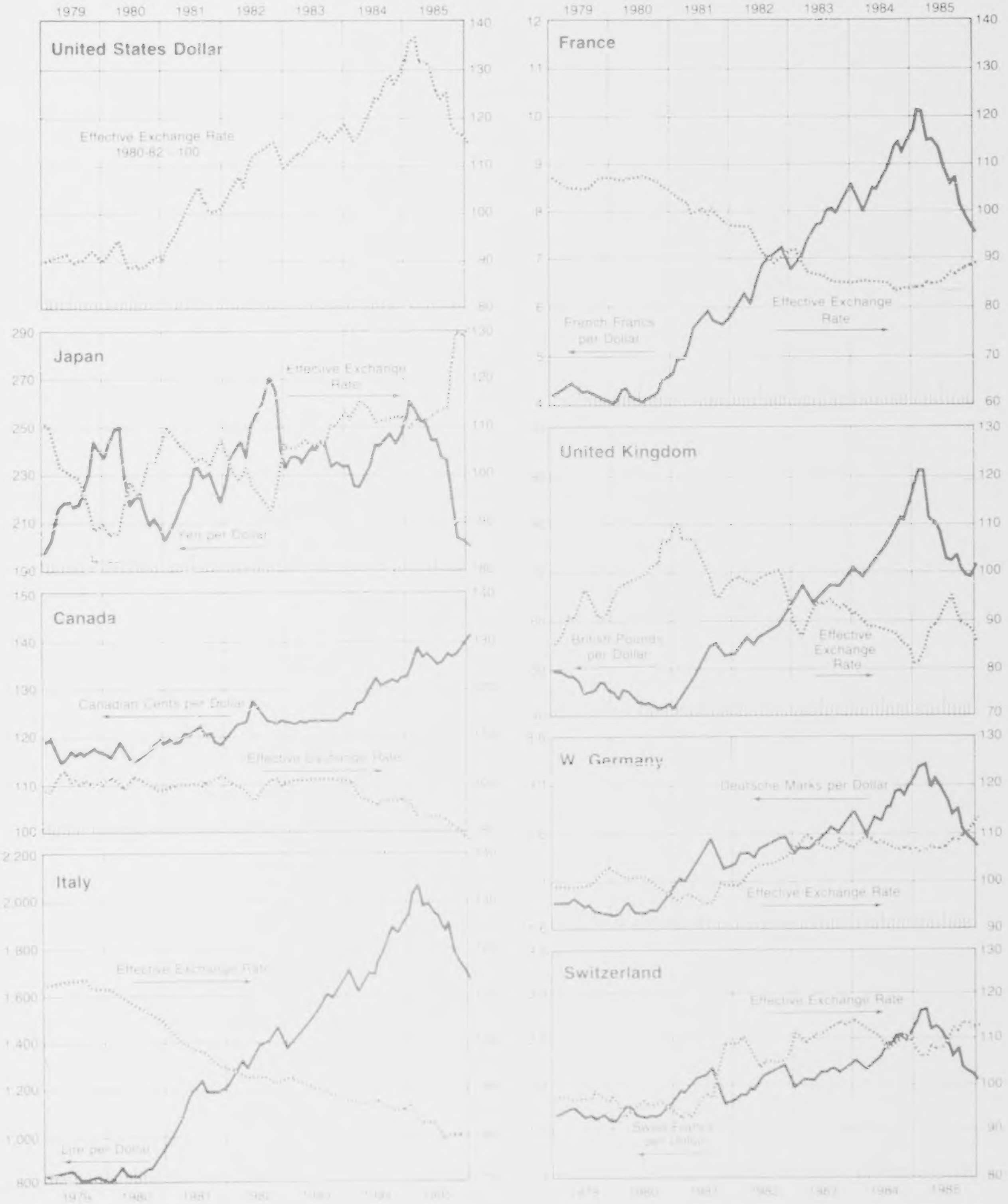


RAW MATERIALS PRICES



Foreign Exchange Rates

Indexes: 1980-82 = 100



Note: Nominal Effective Exchange Rates [illegible]

Source: Morgan Guaranty Trust

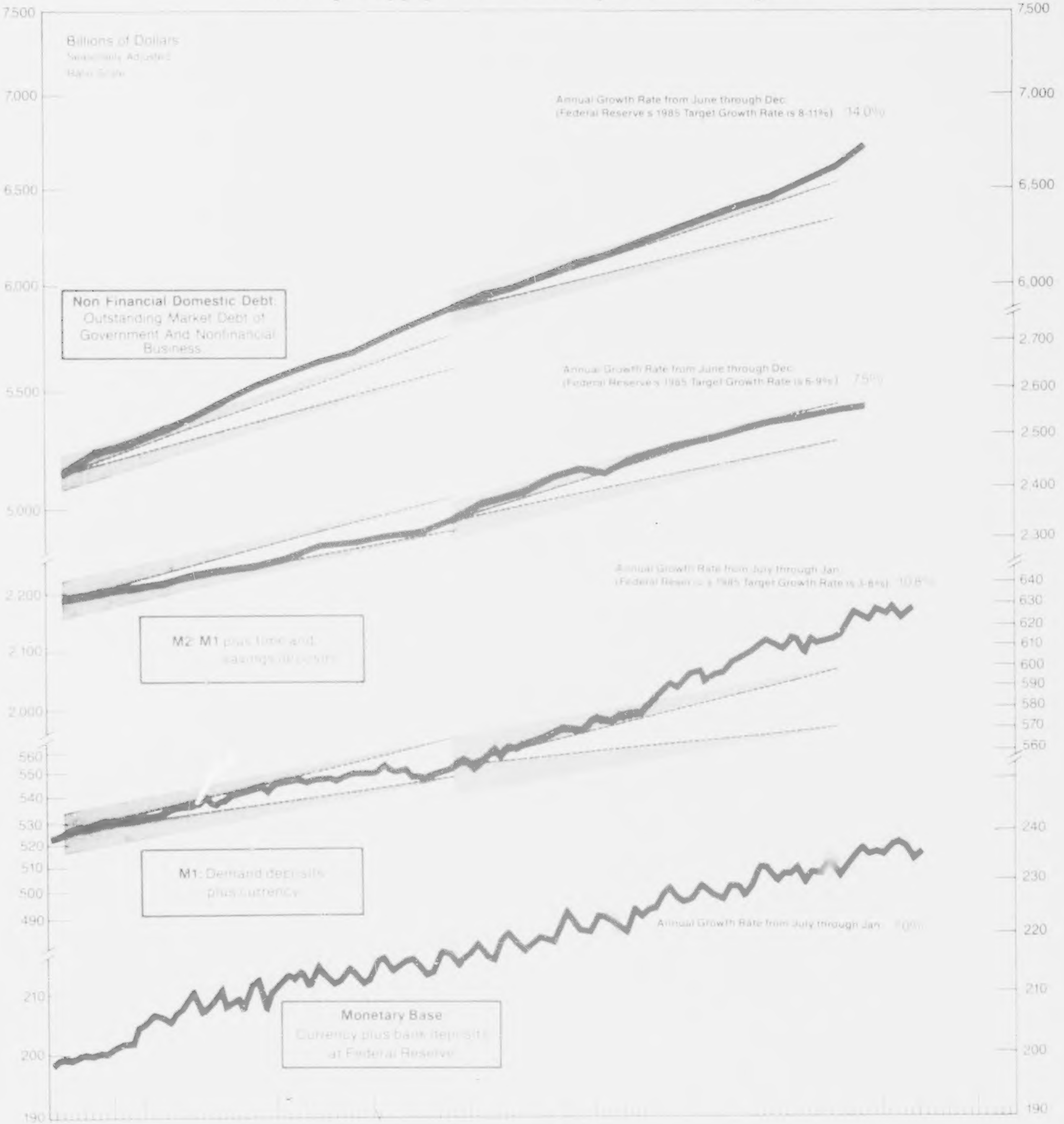
PERSPECTIVE ON THE FEDERAL BUDGET
(Billions of Current Dollars)

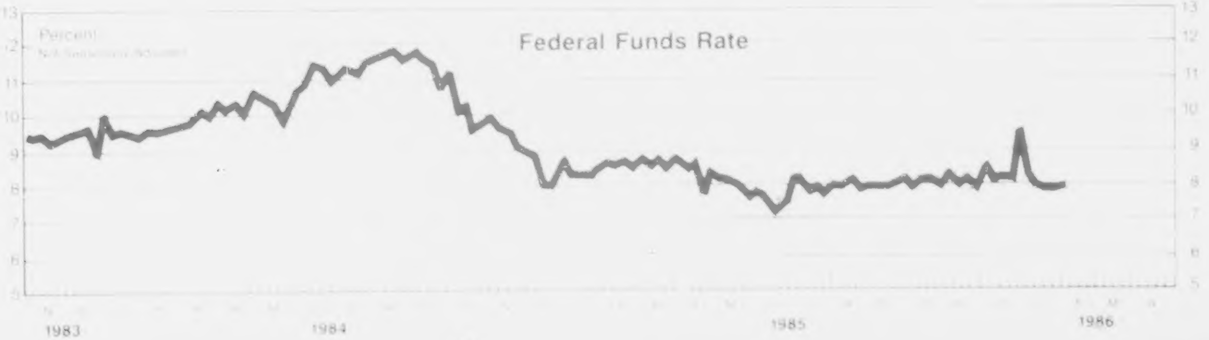
	Fiscal 1986		Fiscal 1987		Fiscal 1988	
	Administration's Latest Estimate	Congress's Latest Estimate	Administration's Latest Estimate	Congress's Latest Estimate	Administration's Latest Estimate	Congress's Latest Estimate
	(8/30/85)	(8/15/85)	(8/30/85)	(8/15/85)	(8/30/85)	(8/15/85)
Receipts	$ 779.8	$ 790.0	$ 850.1	$ 858.0	$ 937.0	$ 939.0
Outlays	957.7	965.0	989.4	1,021.0	1,036.8	1,082.0
Deficit	177.8	175.0	139.3	163.0	99.8	143.0
Receipts by source	779.8	790.0	850.1	858.0	937.0	939.0
Individual income taxes	356.2	362.5	389.8	395.0	429.8	434.0
Social security	297.2	285.3	309.6	305.0	343.8	338.0
Corporate income taxes	58.0	72.5	81.2	87.0	94.4	96.0
Other receipts	68.4	69.7	69.6	71.0	69.0	71.0
Outlays by function	957.7	975.0	989.4	1,021.0	1,036.8	1,082.0
Social security and medicare	268.4	270.0	287.0	290.4	308.3	312.9
National defense	267.1	265.1	285.2	285.2	303.9	304.0
Income security	116.5	121.5	119.4	124.2	124.1	130.6
Health	34.6	34.9	35.7	37.8	37.1	40.7
Education and manpower	30.4	30.8	28.4	31.3	28.2	32.1
Transportation	26.7	25.8	25.8	27.7	24.7	28.1
Veterans' benefits	26.6	26.8	26.8	27.3	27.7	27.7
International affairs	20.3	18.0	19.1	17.3	18.0	16.4
Agriculture	16.8	16.2	10.6	16.2	9.5	13.7
Natural resources	12.4	13.0	11.6	12.8	11.5	13.0
General science	9.4	8.8	9.4	8.9	9.6	9.0
Justice	6.6	6.8	6.7	7.0	6.7	7.2
Community development	7.8	8.0	6.5	7.3	5.9	6.8
General government	5.0	5.5	5.0	5.7	5.1	5.5
Commerce, housing credit	2.8	3.7	1.0	3.4	1.6	5.2
Energy	3.8	3.8	3.1	5.2	1.8	4.5
Revenue sharing	2.9	3.5	1.7	3.2	1.8	2.1
Interest	138.1	137.0	147.0	149.0	151.8	165.0
Allowances	0.0	1.7	0.8	1.7	1.9	– 0.5
Offsetting receipts	36.9	39.9	39.0	37.1	39.2	41.9

ECONOMIC ASSUMPTIONS OF THE BUDGET

GNP						
Current Dollar	$4,236.7	$4,217.0	$4,589.4	$4,548.0	$4,959.3	$4,905.0
Constant (1972) Dollar	1,754.6	1,743.0	1,824.8	1,802.0	1,897.6	1,865.0
Percent change in						
Current dollar	8.5%	8.2%	8.3%	7.8%	8.1%	7.9%
Constant (1972) dollar	4.2	3.6	4.0	3.4	4.0	3.5
Implicit price deflator	4.1	4.3	4.2	4.3	3.9	4.2
Consumer price index	4.2	4.5	4.2	4.4	3.9	4.2
91-Day T-bill rate	7.5	7.4	7.0	7.2	5.9	7.2
Unemployment rate	6.8	7.0	6.6	6.8	6.2	6.6

Money Supply and Monetary Growth Targets





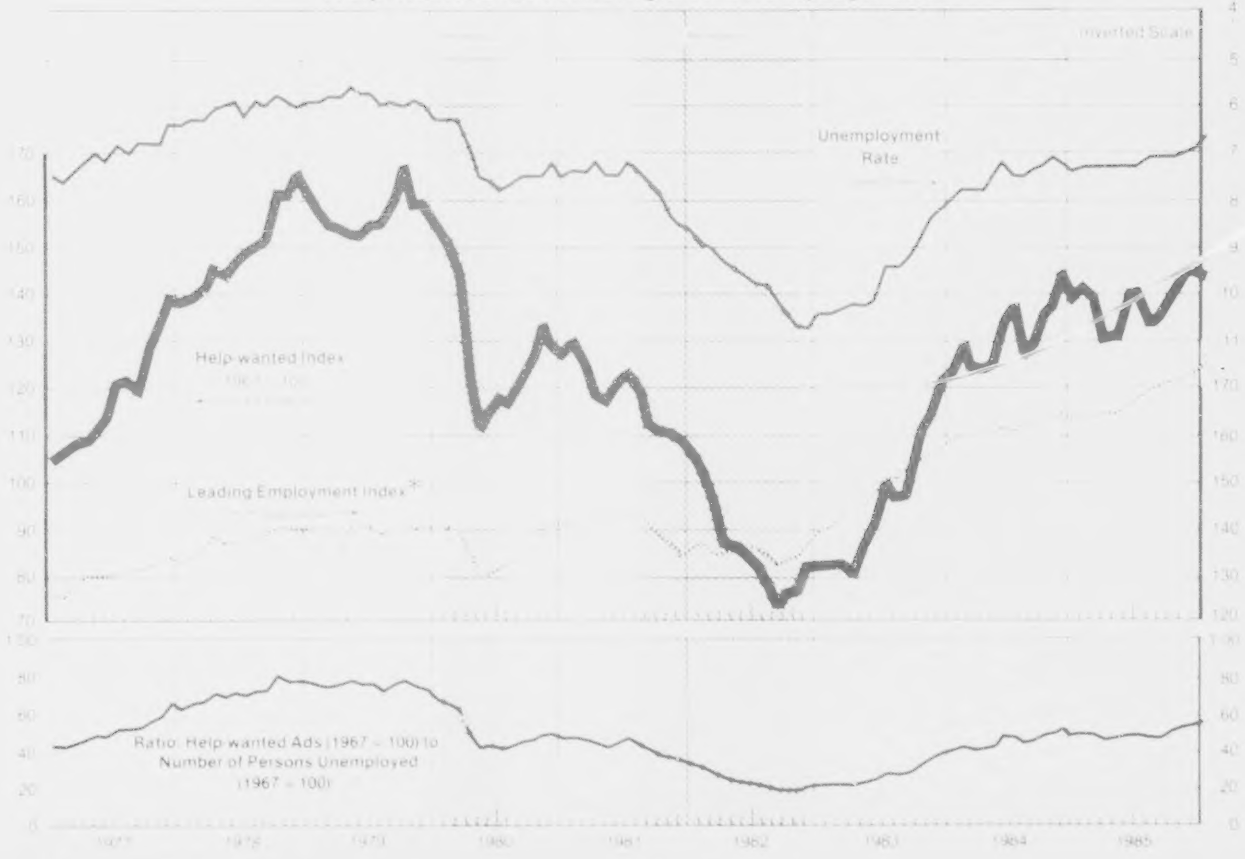
CONFERENCE BOARD HELP-WANTED ADVERTISING INDEXES

Seasonally Adjusted Indexes, 1967 = 100

Locality	1985 Dec	Nov	Oct	1984 Dec
National Index	145	144	140	145
New England	157	160	157	184
Boston	169	170	164	168
Hartford	171	160	166	143
Providence	136	129	124	116
Middle Atlantic	74	79	72	87
Albany	162	160	135	141
Allentown	204	199	190	166
New York	[illegible]	[illegible]	[illegible]	[illegible]
Philadelphia	73	80	83	84
Pittsburgh	88	[illegible]	79	[illegible]
Rochester	96	93	92	82
Syracuse	122	[illegible]	134	117
East North Central	90	87	86	94
Chicago	104	[illegible]	86	107
Cincinnati	131	[illegible]	122	153
Cleveland	60	[illegible]	59	67
Columbus	161	116	131	144
Dayton	96	92	[illegible]	77
Detroit	[illegible]	[illegible]	[illegible]	82
Gary	[illegible]	[illegible]	[illegible]	[illegible]
Indianapolis	[illegible]	[illegible]	106	[illegible]
Milwaukee	[illegible]	[illegible]	[illegible]	[illegible]
Toledo	[illegible]	[illegible]	[illegible]	[illegible]
West North Central	[illegible]	[illegible]	[illegible]	98
Kansas City	[illegible]	[illegible]	[illegible]	104
Minneapolis	[illegible]	[illegible]	[illegible]	[illegible]
Omaha	[illegible]	[illegible]	[illegible]	[illegible]
St. Louis	[illegible]	[illegible]	83	[illegible]
South Atlantic	[illegible]	[illegible]	[illegible]	[illegible]
Atlanta	[illegible]	[illegible]	257	[illegible]
Baltimore	[illegible]	[illegible]	[illegible]	[illegible]
Charlotte	149	141	143	151
Jacksonville	230	240	217	208
Miami	111	86	85	77
Richmond	128	120	116	105
Washington, D.C.	190	187	179	178
East South Central	155	149	150	143
Birmingham	179	171	160	149
Knoxville	204	195	200	196
Louisville	102	94	92	76
Memphis	114	111	102	107
Nashville	211	207	234	223
West South Central	283	273	221	291
Dallas	421	307	308	423
Houston	273	270	267	358
New Orleans	108	102	101	130
Oklahoma City	125	134	120	159
San Antonio	265	183	199	191
Tulsa	152	139	124	177
Mountain	323	337	324	369
Denver	205	204	203	231r
Phoenix	463	506	482	552
Salt Lake City	354	357	335	378
Pacific	201	214	208	206
Los Angeles	148	155	150	153
Sacramento	376	386	369	329
San Bernardino	231	220	269	210
San Diego	461	486	473	404
San Francisco	191	228	207	238
Seattle	189	188	192	186
Percentage of papers with rising volume	69	69	69	82
Unemployment rate	6.9	7.0	7.1	7.2

Note: For more information on methods, see [illegible] Help-wanted Index (New York: The Conference Board, 1977). [illegible] S.A. [illegible]

Help-wanted Advertising and Unemployment



* [illegible]

CONFERENCE BOARD INDEXES OF CONSUMER CONFIDENCE AND BUYING PLANS

Indexes, 1985 = 100
(Seasonally Adjusted)

REVISED

Consumer Confidence Index

	Jan	Feb	Mar	Apr	May	June	July	Aug	Sept	Oct	Nov	Dec
1983	[illegible]	[illegible]	[illegible]	81.8	85.9	87.0	87.8	89.9	92.2	93.5	96.7	104.9
1984	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	103.7	98.5	101.6	102.4	101.7	106.1	98.7
1985	[illegible]	[illegible]	[illegible]	101.0	[illegible]	100.0	101.2	99.6	98.9	99.3	98.7	99.8
1986	[illegible]											

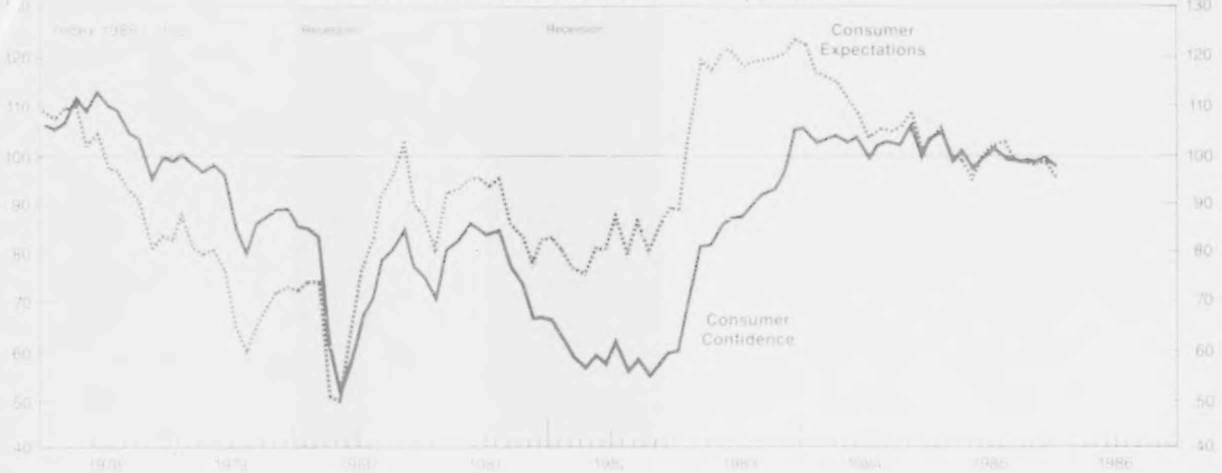
Buying Plans Index

	Jan	Feb	Mar	Apr	May	June	July	Aug	Sept	Oct	Nov	Dec
1983	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	89.0	94.4	85.0	101.6	102.2	99.2	99.3
1984	[illegible]	[illegible]	[illegible]	98.8	[illegible]	104.9	89.5	95.5	[illegible]	92.7	96.0	91.9
1985	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	98.4	107.3	110.3	101.2	108.8
1986	[illegible]											

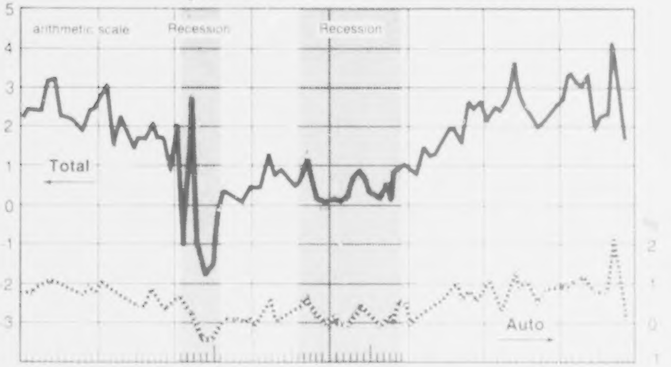
[illegible] appliances. [illegible] and employment and income levels six months hence. Data [illegible] The Conference Board [illegible]

[illegible] p = preliminary. r = revised

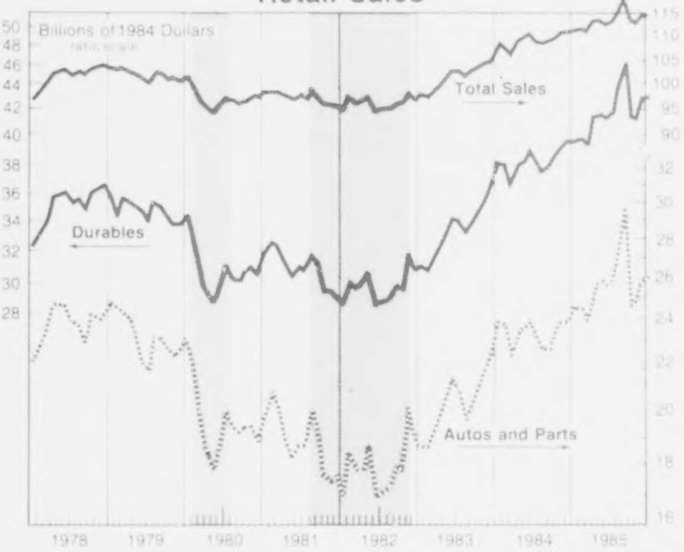
Consumer Confidence and Expectations



Consumer Installment Debt Expansion ÷ Personal Income



Retail Sales



CONFERENCE BOARD ESTIMATES OF NEW AUTO SALES, BY 10-DAY PERIODS

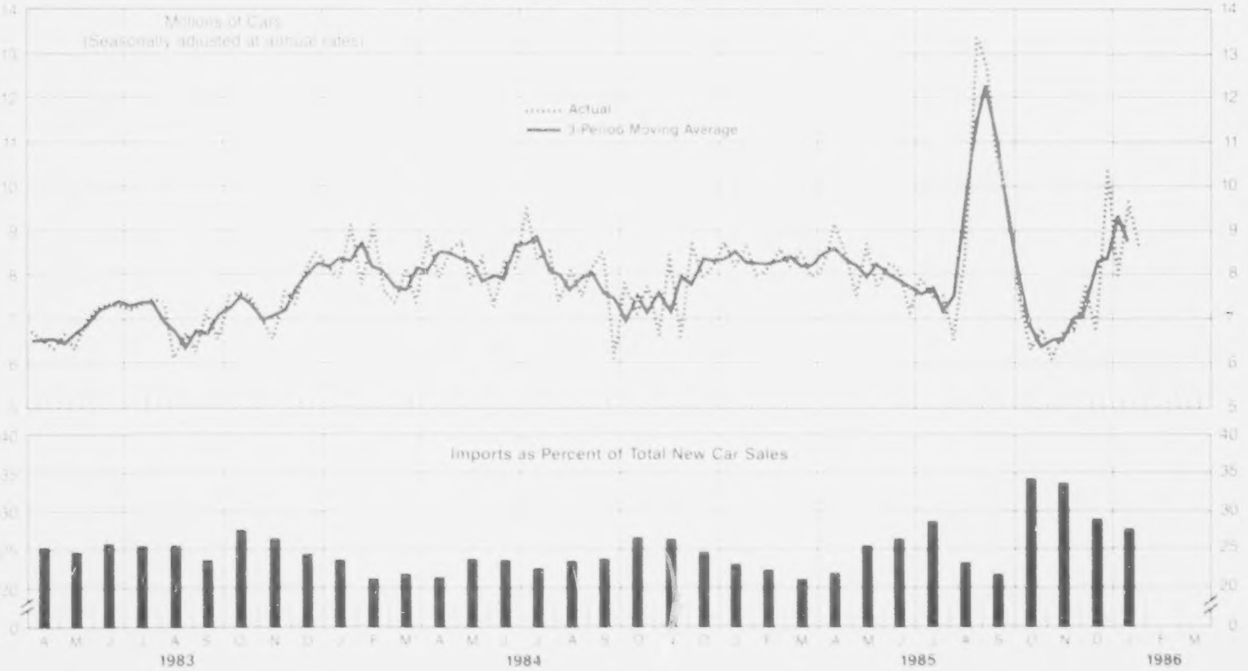
REVISED

Millions, Seasonally Adjusted at Annual Rate

Periods		1983	1984	1985	1986
January	1-10	6.17	8.16	8.69	7.97
	11-20	6.20	7.84	8.15	9.63
	21-31	5.60	9.15	8.62	8.40
February	1-10	5.86	7.79	7.97	
	11-20	5.30	9.17	6.04	
	21-28(29)	6.07	7.60	8.58	
March	1-10	5.61	7.35	8.14	
	11-20	6.10	8.13	8.44	
	21-31	6.19	7.35	7.94	
April	1-10	6.69	8.88	8.16	
	11-20	6.52	7.96	9.12	
	21-30	6.35	8.60	8.46	
May	1-10	6.67	8.75	7.45	
	11-20	6.30	7.74	8.69	
	21-31	6.97	8.43	7.70	
June	1-10	7.23	7.22	8.21	
	11-20	7.34	8.25	8.02	
	21-30	7.28	8.10	7.16	
July	1-10	7.25	9.51	7.89	
	11-20	7.36	8.32	7.47	
	21-31	7.43	8.59	7.53	
August	1-10	7.39	7.33	6.47	
	11-20	6.11	8.07	8.39	
	21-31	6.65	7.43	13.29	
September	1-10	6.26	8.13	12.76	
	11-20	7.21	8.52	10.63	
	21-30	6.55	6.03	9.49	
October	1-10	7.52	7.83	7.44	
	11-20	7.56	7.07	6.27	
	21-31	7.45	7.70	6.75	
November	1-10	6.96	6.60	6.04	
	11-20	6.55	8.44	6.66	
	21-30	7.62	6.57	6.70	
December	1-10	7.30	8.75	7.72	
	11-20	8.09	7.96	6.74	
	21-31	8.48	8.19	10.38	

Note: Dealer sales exclude exports and foreign-model cars (unless manufactured domestically.) Data from Ward's Automotive Reports are seasonally adjusted by The Conference Board. Prior data available upon request.

Domestic-Model Car Sales



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STATISTICAL BULLETIN

Volume 19, No. 3, March, 1986

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Statistical Reference Index
Acquisitions
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Bethesda, MD 20814

The Conference Board
70th Anniversary

THE CONFERENCE BOARD'S STATISTICAL BULLETIN COMMENTARY

* WHERE IS THE STIMULUS GOING?

OVERVIEW: Indicators in February confirm that the monetary and fiscal stimuli to the economy remained strong. These were bolstered by the spectacular performance in the stock and bond markets and by the equally spectacular fall in oil prices.

These positive developments are being reflected in some areas normally sensitive to these kind of forces. That is certainly true of investment—consumer car and home buying as well as business spending on plant and equipment. These forces are also continuing to stimulate importing, despite a lowered dollar.

The most puzzling aspect of the current phase of the business cycle, however, is why these forces are not having more of an impact on new orders, on industrial output, on consumer buying (other than cars and homes) and on employment growth. It would seem that the main force of this stimulation—except for that portion diverted to purchase of goods from abroad—is being channeled to capital accumulation. It is bypassing, for the moment, sectors of current production and consumption.

Nevertheless, the presence of strong economic and policy stimulus has led to a substantial upward revision in the general outlook over the last 2 months. The consensus of the **Economic Forecasts** now is that real GNP will grow at a seasonally adjusted 4% annual rate over the 4-quarter span ending in the fourth quarter of 1986. Only 2 months earlier, the consensus was for a 3% rate. This very optimistic outlook suggests that the impact of the strong dose of stimulation will begin to diffuse through to orders, output, consumer spending and employment.

DOMESTIC MARKET MONITOR

The impact of the stimulus is showing up primarily in rising business investment. The Conference Board's survey of **Capital Appropriations and Expenditures** by the nations 1,000 largest manufacturers showed that, after a dip in the third quarter, spending rose by almost 8% in the fourth quarter. In fact, that is exactly the pace the survey respondents said their expenditures would increase by for 1986 as a whole. The current pace of construction indicates that investment has continued to rise vigorously in the first quarter of 1986. But the survey responses suggested that business is more interested in enhancing productive capacity rather than expanding it.

Falling interest rates, bullish stock and bond markets, the steep drop in oil prices, and a declining **Measure of Business Confidence** shot back up to 61 (on a scale of 0 to 100) in the first quarter, from a reading of 55 in the fourth quarter. It's important to keep in mind that this measure of business attitudes had fallen to 55 from a level of 61 in the first quarter of 1985. (By contrast, **Consumer Attitudes,** which did not fall very far in 1985, have not risen very much in early 1986).

Notwithstanding the high level of business confidence, employers have been slow to add new workers because new orders have remained rather sluggish. Total durable orders, excluding aircraft, were only 0.4% higher in January than 3 months earlier. And there is some concern that defense orders may be cut, under the weight of budgetary restraint. A combination of smaller increases in defense orders and lackluster nondefense orders, will limit the rise in production, capacity utilization and employment. The pickup in business confidence, however, may be a signal that business leaders expect the ordering pace to quicken.

The average workweek, which had been lengthening of late, was either unchanged or shortened in February. It was essentially unchanged in the service industries. It fell in good producing sectors: The construction workweek, which climbed from 37.1 hours in December, to 38.7 in January, fell sharply to 36.3 in February. Declines in construction hiring and hours might be a tipoff that home and/or commercial building may stop rising sharply. The drop in manufacturing jobs and hours suggests that industrial output might actually decline a bit.

It may take a while for the strong dose of economic stimulus to diffuse through to the labor market. The Conference Board's **Help-wanted Index**, a measure of labor demand, has stopped rising in recent months.

Recent gains in income—and in wealth as the financial markets continue to rally—have not been matched by higher spending levels. Wages in commodity industries were 1.3% higher, deflated, in January than 3 months earlier. Wages in other industries were 2.1% higher. And nonwage income was up 1.8%—despite scant gains in interest income. Nonwage income may well continue to rise at its current pace. But given the poorer showing for jobs and hours in February, that may not be true with regard to wage income.

Ken Goldstein, Editor

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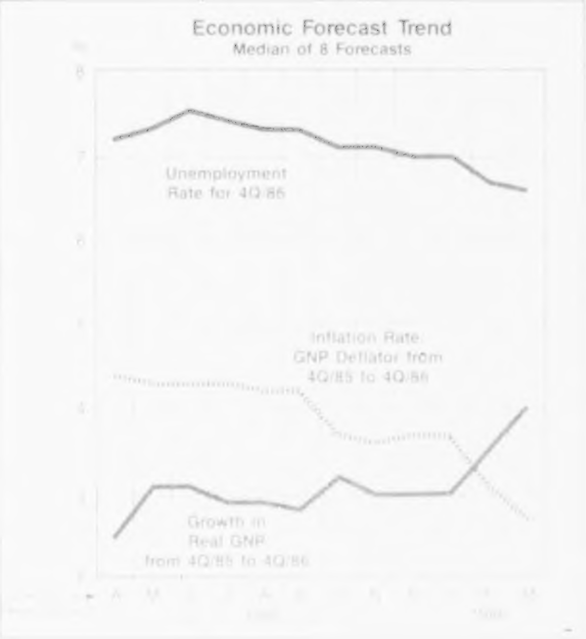


However, mortgage rate declines, and a drop in the price of new homes, have given a boost to home sales. Single-unit sales were 18.2% higher in January than 3 months earlier. Single-unit starts were 21% higher in January than 3 months earlier; multi-unit starts were up by 10 percent. The value of home construction was 1.1% higher in January than 3 months earlier.

Nonresidential construction has been rising faster than residential building. Nonresidential was 4.6% higher, deflated, in January than 3 months earlier. With interest rates still falling, construction may continue to rise over the next few months. But the decline in construction hiring and hours in February may indicate that the rise in building may moderate a bit.

After a sizable gain in December, retail sales were very flat over the last 2 months. Soft demand for nondurables and some weakness in durable goods suggests that consumers are shopping very selectively.

They are perhaps taking more than a second look at financed purchases. Consumer debt has been growing more slowly of late. Smaller increases in debt and a little faster pace of income growth has reduced the ratio of **Consumer Installment Debt Expansion to Personal Income**. The flat pace of retail sales over the last 2 months implies that debt increases remained muted.

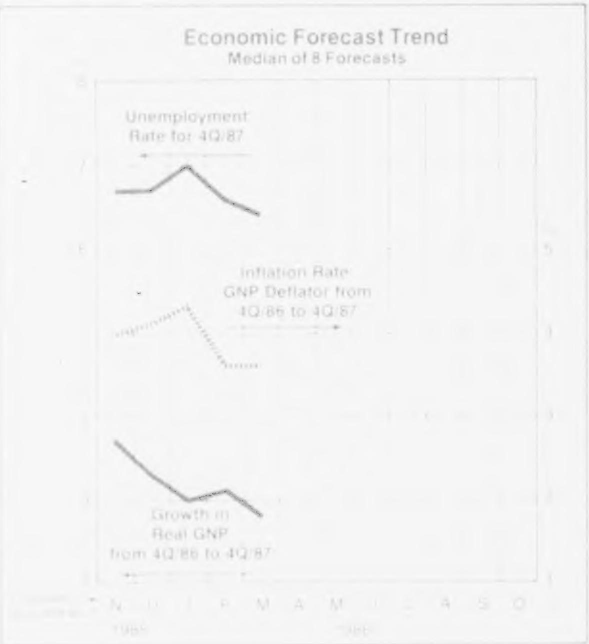
The lackluster pace of consumer buying and the sluggish pace of new orders, and no apparent move to restock inventory, are limiting the rise in industrial production. Capacity utilization, then, remains relatively low. And employment growth, after 3 months of unexpectedly strong improvement, slowed markedly in February. Specifically, construction employment—after rising by 140,000 in January—fell by 25,000. Durable manufacturing, which had been rising much more slowly, also fell by 25,000. Nondurable manufacturing, which also had been increasing slowly, was basically unchanged. But service-job growth was about as strong as it had been in prior months. Once again, then, job growth has become less evenly balanced.

INTERNATIONAL MONITOR

Trade-balance improvement is not yet evident. After slowing somewhat in the last few months, imports rose 4.1% in January. Interestingly, manufacturing shipments rose 3.7%, despite lower imports of cars from Japan and Canada.

A cheaper dollar has yet to help exports. The trade-weighted average **Exchange Rate** of the dollar against other major currencies was 19% lower in February than its peak value of last March. But exports of manufactured products were no higher in January than in the last months of 1985. More vigorous economic growth by our major trading partners would certainly enhance export prospects.

Ken Goldstein
March 13, 1986

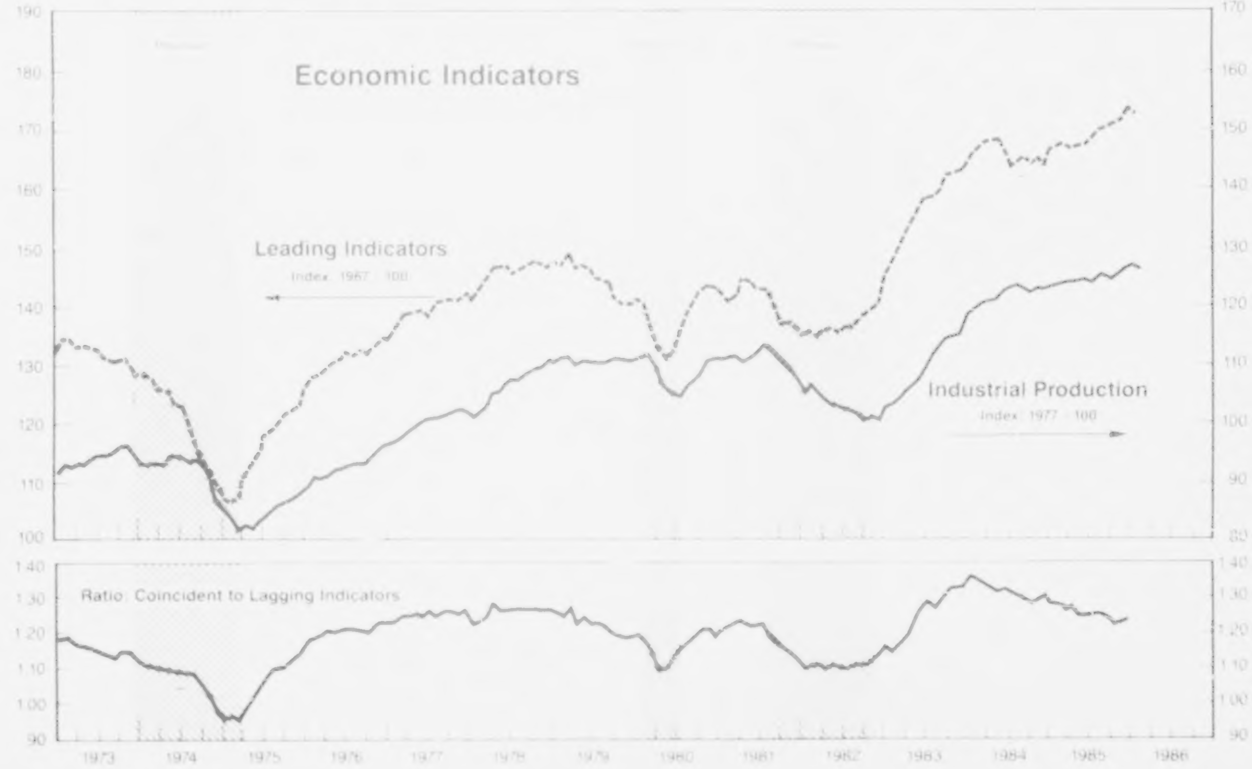


STATUS OF LEADING ECONOMIC INDICATORS

		Rising	Level	Declining	Change over latest three months	Change From Year-Ago
		(Classification based on movement of series over several months)				
Leading Economic Indicators	Jan		X		+ 0.6%	+ 4.0%
Capital Investment Commitments						
*Contracts and orders, plant & equipment (deflated)	Jan			X	17.2%	- 0.6%
New orders, nondefense capital goods (deflated)	Jan			X	13.1%	3.0%
*New business formation	Jan		X		1.4%	0%
*Housing permits	Jan	X			13.0%	16.6%
Inventory Investment and Purchasing						
*New orders, consumer goods & materials (deflated)	Jan	X			4.4%	3.9%
*Change in inventory, on hand & order (deflated)	Dec	X			15.5%	2.3%
Purchasing agents' buying policy	Feb		X		4.0%	- 6.0%
*Vendor performance, reported slower deliveries	Feb		X		2.0%	0.0%
Industrial raw materials prices	Feb		X		0.3%	- 7.7%
*Change in sensitive material prices	Jan		X		0.1%	0.4%
Sensitive Financial Flows						
*Money balance (M2 deflated)	Jan		X		0.2%	2.9%
Change in business loans	Jan			X	34.2%	0.6%
*Change in credit outstanding	Jan			X	10.1%	- 7.1%
Change in consumer installment debt	Dec			X	76.7%	- 20.1%
Profitability						
Total corporate profits, after tax (deflated)	3rd Q	X			3.2%	1.9%
*Common stock prices	Feb	X			10.5%	20.6%
Marginal Employment Adjustments						
*Average workweek, mfg	Feb		X		0.1hr	0.5hr
*Initial unemployment claims (inverted)	Feb			X	- 0.8%	6.2%

Note For a description of the Leading Indicators Composite Index see Bureau of Economic Analysis, *Handbook of Cyclical Indicators*, (Washington D.C.: Government Printing Office) June, 1977.

*These twelve series make up the Composite Leading Index charted below.



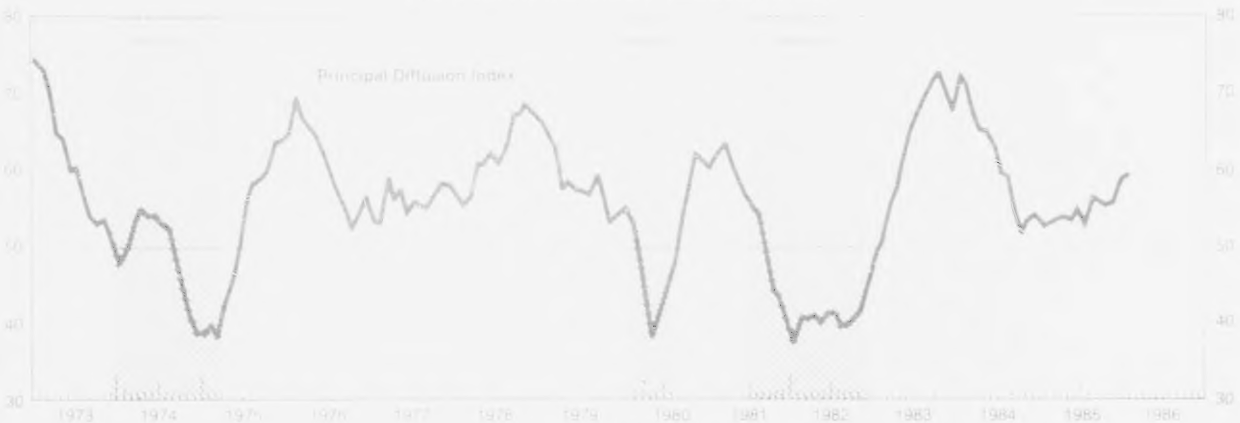
CONFERENCE BOARD DIFFUSION INDEXES

DIFFUSION INDEXES	1985 Jan	Oct	Nov	Dec	1986 Jan (e)
Principal Diffusion Index	52.7	[illegible]	55.4r	58.3r	58.8
Auxiliary Diffusion Index	50.5	[illegible]	[illegible]	59.6r	61.4
Industrial Group	[illegible]	[illegible]	58.0r	60.1r	58.8
Nonindustrial Group	[illegible]	[illegible]	[illegible]	56.6r	58.7
Sense of Diffusion	[illegible]	[illegible]	[illegible]	[illegible]	1
SUBGROUP DIFFUSION INDEXES					
Industrial Subgroups					
Production	[illegible]	[illegible]	[illegible]	[illegible]	67.5
Labor	[illegible]	[illegible]	[illegible]	[illegible]	57.2
Miscellaneous	[illegible]	[illegible]	[illegible]	[illegible]	50.6
Nonindustrial Subgroups					
Prices	[illegible]	[illegible]	[illegible]	[illegible]	54.5
Consumer	[illegible]	[illegible]	[illegible]	[illegible]	69.2
Building	[illegible]	[illegible]	[illegible]	[illegible]	57.4
Miscellaneous	[illegible]	[illegible]	[illegible]	[illegible]	51.7

Note: [illegible] The Conference Board [illegible] July, 1986.

e estimate r revised

The Conference Board Diffusion Index



BUSINESS EXECUTIVES' EXPECTATIONS

	1983		*1984*				*1985*				*1986*
	Aug.	*Nov.*	*Feb.*	*May*	*Aug.*	*Nov.*	*Feb.*	*May*	*Aug.*	*Nov.*	*Feb.*
	Score (scale 0-100)										
Measure of Business Confidence	75	74	70	65	61	57	61	52	51	55	61
1. Appraisal of Current Economic Conditions Compared With Six Months Ago	82	80	76	75	70	57	62	48	45	53	63
2. Expectations for Economy, Six Months Ahead	74	73	67	60	57	57	61	53	53	56	62
3. Expectations for Own Industry Six Months Ahead	69	70	67	61	57	58	61	55	54	56	59

The Measure of Business Confidence is the average of the scores for the three primary questions in the survey. Respondents have five reply options for each question; a score for each question is determined by assigning the following values to the replies and calculating the average value of the replies to the question: Substantially Better—100, Moderately Better—75, Same—50, Moderately Worse—25, Substantially Worse—0. The score for each question and the overall Measure of Business Confidence, thus can range from 0 to 100.

CONFERENCE BOARD ESTIMATES OF CAPITAL APPROPRIATIONS AND EXPENDITURES BY MANUFACTURERS AND INVESTOR-OWNED UTILITIES

Billions of Dollars, Seasonally Adjusted

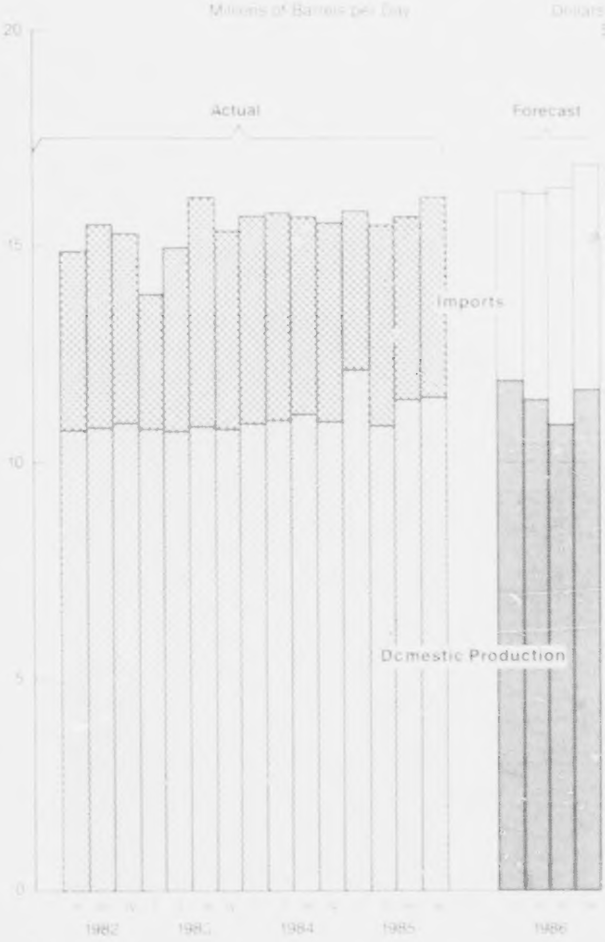
	1984			1985				Percent Change From Previous Year	
	II	III	IV	I	II	IIIr	IVp	1985p Actual	1986 Estimate
1000 LARGEST MANUFACTURING FIRMS									
New appropriations	34.123	27.309	29.100	23.938	27.560	24.167	27.499	-7	4
Capital expenditures	21.739	23.034	24.587	23.354	24.911	24.730	25.643	11	8
Change in appropriations backlog*	+10.715	+2.885	-2.302	-1.984	-5.529	-2.702	-2.139		
Durable Goods									
New appropriations	18.702	12.742	15.072	16.737	10.910	12.031	12.452	-13	0
Capital expenditures	10.041	11.101	12.223	11.648	12.814	12.299	12.802	16	5
Change in appropriations backlog*	+8.212	+1.107	-1.797	-1.154	-2.515	-1.094	-2.734		
Nondurable Goods									
New appropriations	15.421	14.567	14.028	13.201	16.650	12.136	15.047	-2	8
Capital expenditures	11.698	11.933	12.364	11.706	12.097	12.431	13.841	6	10
Change in appropriations backlog*	+2.503	+1.778	-0.505	-0.830	-3.044	-1.608	+0.595		
ELECTRIC & GAS UTILITIES									
New appropriations	7.839r	9.863r	11.654r	9.066	15.509r	5.516p			
Capital expenditures	9.016r	9.212r	9.337r	8.828	9.156r	9.047p			
Change in appropriations backlog*	-2.897r	+1.607r	+3.147r	+0.106	+4.809r	-5.496p			

Available on request: Historical data from 1953 (manufacturing) and from 1958 (utilities), and quarterly reports containing text and data for 17 separate manufacturing industries, electric and gas utilities.

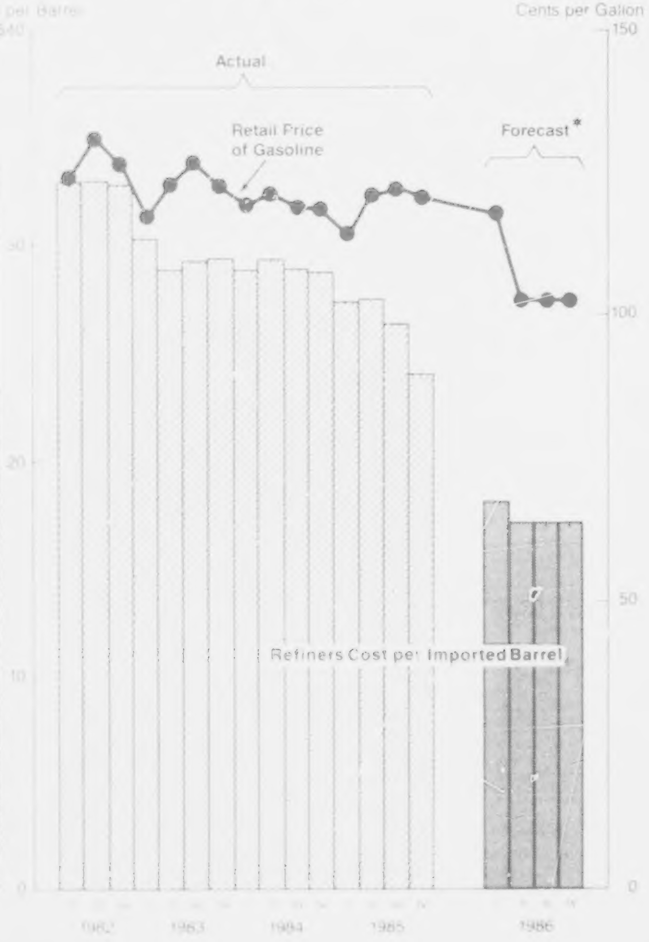
r—revised p—preliminary

* Change in Backlog = New Appropriations − (Expenditures + Cancellations + Other Adjustments)

Oil Supply



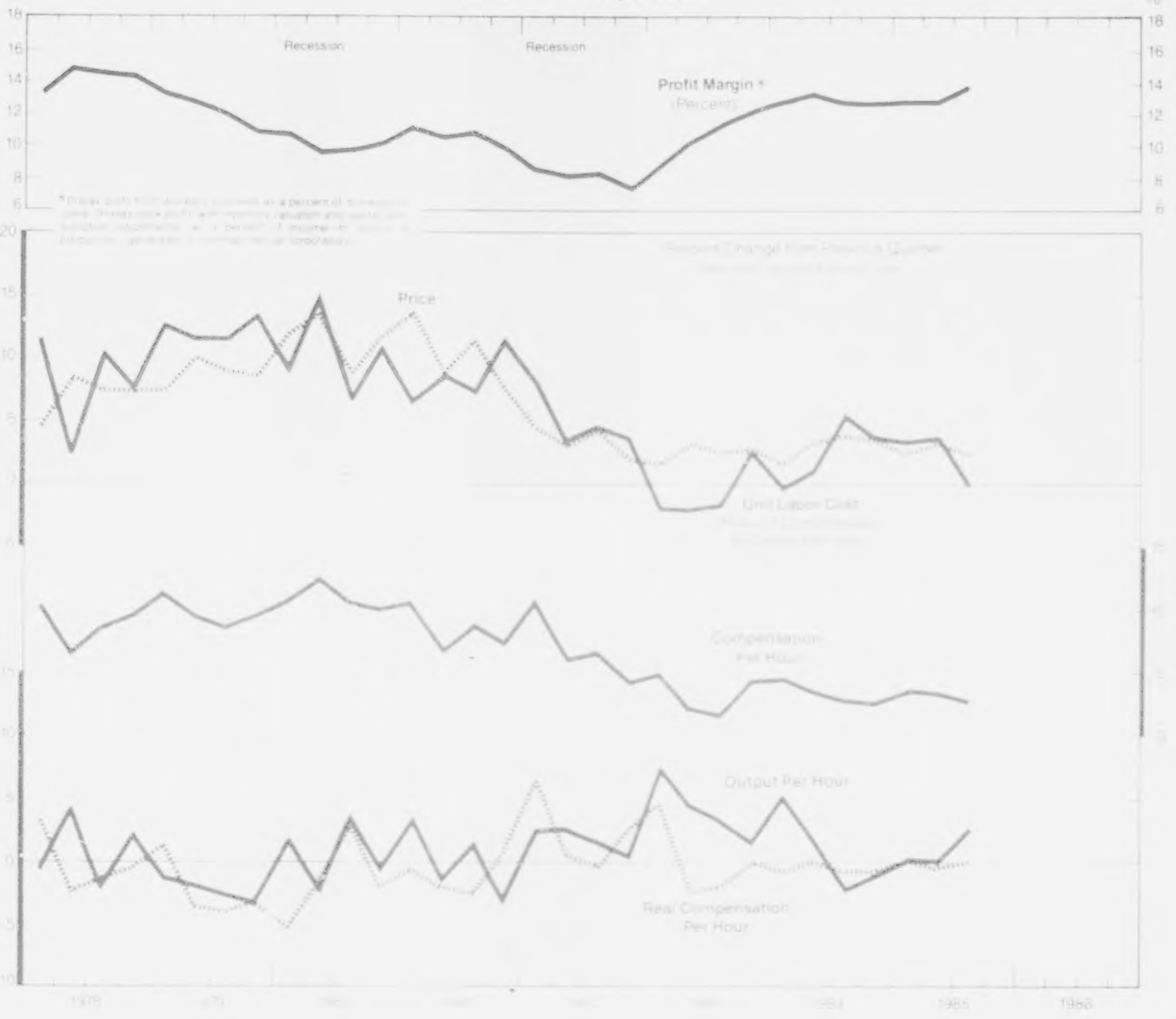
Oil Price



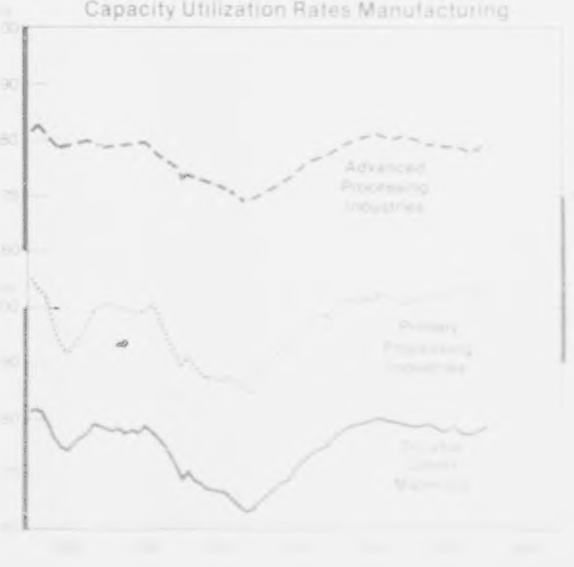
*Source of Forecast is The Energy Information Administration, Department of Energy

Key Determinants of Profit Margin

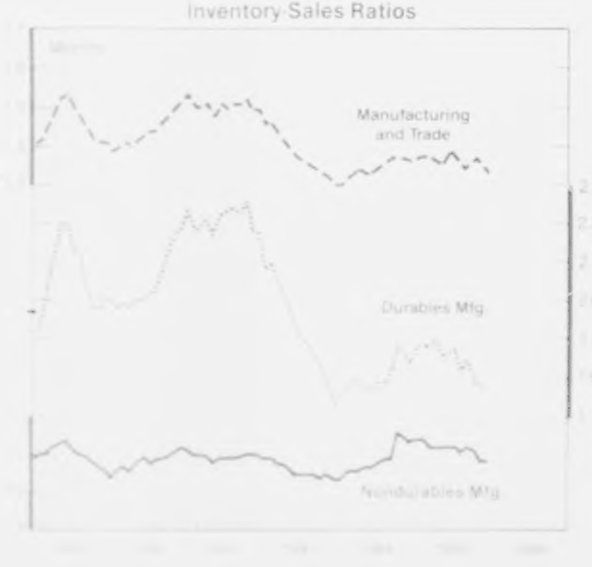
Nonfinancial Corporations



Capacity Utilization Rates Manufacturing



Inventory Sales Ratios



ECONOMIC FORECASTS

			U.C.L.A.[2] Business Forecasting Project		Merrill Lynch[2] Economics Inc.		E.I. duPont[1] de Nemours & Co.		Georgia State University[2]	
Date of Forecast			*Feb., 1986*		*Feb., 1986*		*Jan., 1986*		*Feb., 1986*	
			Level	*Percent Change*	*Level*	*Percent Change*	*Level*	*Percent Change*	*Level*	*Percent Change*
Gross National Product Billions of Current Dollars										
Actual	1985	IV	$4061.5	4.5%	$4061.5	4.5%			$4061.5	4.5%
	1986	I	4138.7	7.8	4135.4	7.5	$4137.8	6.3%	4132.8	7.2
		II	4188.0	4.9	4198.0	6.2	4208.3	7.0	4191.9	5.8
		III	4250.8	6.1	4267.7	6.8	4283.9	7.4	4254.0	6.1
		IV	4306.6	5.4	4340.0	7.0	4352.4	6.6	4320.7	6.4
	1987	I	4401.7	9.1	4412.0	6.8	4412.8	5.7	4378.1	5.4
		II	4498.3	9.1	4482.0	6.5	4484.0	6.6	4437.6	5.5
		III	4602.8	9.6	4556.4	6.8	4559.6	6.9	4487.6	4.6
		IV	4713.1	9.9	4625.3	6.2	4533.5	−2.3	4550.0	5.7
	1988	I	4826.4	10.0						
Actual	1986	Annual	4221.0	5.8	4235.3	6.2	4245.6	6.3	4224.8	5.9
	1987	Annual	4554.0	7.9	4518.9	6.7	4497.5	5.9	4463.3	5.6
Gross National Product Billions of Constant (1982) Dollars										
Actual	1985	IV	$3594.8	1.2%	$3594.8	1.2%			$3594.8	1.2%
	1986	I	3635.2	5.0	3638.1	4.9	$3536.0	3.5%	3638.0	4.9
		II	3673.6	3.8	3672.6	3.8	3669.0	3.7	3673.9	4.0
		III	3714.5	4.5	3712.2	4.4	3709.0	4.4	3705.6	3.5
		IV	3743.5	3.2	3753.4	4.5	3736.0	2.9	3737.6	3.5
	1987	I	3797.1	5.9	3785.6	3.5	3762.0	2.8	3758.0	2.2
		II	3848.3	5.5	3812.6	2.9	3784.0	2.4	3776.7	2.0
		III	3897.4	5.2	3839.9	2.9	3806.0	2.3	3787.0	1.1
		IV	3947.4	5.2	3862.3	2.4	3823.0	1.8	3801.1	1.5
	1988	I	3983.8	3.7						
Actual	1986	Annual	3692.7	3.4	3694.1	3.4	3687.5	3.2	3688.8	3.3
	1987	Annual	3872.6	4.9	3825.1	3.5	3793.8	2.9	3780.7	2.5
Gross National Product deflator Index, 1982 = 100										
Actual	1985	IV	113.0	3.3%	113.0	3.3%			113.0	3.3%
	1986	I	113.7	2.7	113.7	2.5	$ 112.8	2.7%	113.6	2.2
		II	114.0	1.0	114.3	2.3	114.7	3.2	114.1	1.8
		III	114.4	1.5	115.0	2.3	115.5	2.8	114.8	2.5
		IV	115.0	2.1	115.6	2.3	116.5	3.5	115.6	2.8
	1987	I	115.9	3.1	116.5	3.2	117.3	2.8	116.5	3.2
		II	116.9	3.4	117.6	3.5	118.5	4.2	117.5	3.5
		III	118.1	4.2	118.7	3.8	119.8	4.5	118.5	3.5
		IV	119.4	4.5	119.8	3.7	118.6	−4.0	119.7	4.1
	1988	I	121.2	6.0						
Actual	1986	Annual	114.3	2.3	114.6	2.6	115.1	3.0	114.5	2.5
	1987	Annual	117.6	2.9	118.1	3.0	118.5	3.0	116.1	3.1
Unemployment Rate										
Actual	1985	IV		7.0%		7.0%		7.0%		7.0%
	1986	I		6.7		6.6		6.9		6.7
		II		6.4		6.6		5.9		6.6
		III		6.2		6.4		6.8		6.5
		IV		6.1		6.3		6.9		6.5
	1987	I		5.9		6.3		6.9		6.4
		II		5.7		6.3		7.0		6.5
		III		5.4		6.3		7.2		6.7
		IV		5.2		6.3		7.5		7.0
	1988	I		5.0						
Actual	1986	Annual		6.4		6.5		6.9		6.6
	1987	Annual		5.5		6.3		7.2		6.7

Notes: Percentage changes represent compound annual rates of change from preceding period. Quarterly data are seasonally adjusted.

[1] Based on preliminary fourth quarter data.

[2] Based on revised fourth quarter data.

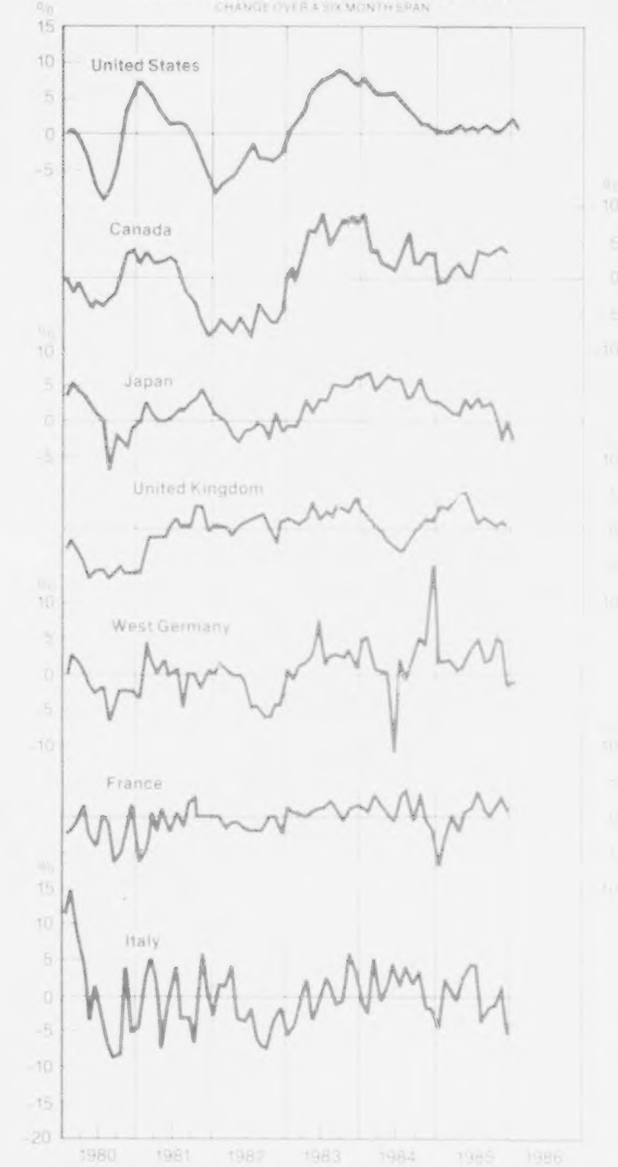
ECONOMIC FORECASTS (continued)

The Conference Board[2]		Chase Econometric[2] Associates, Inc.		Data Resources Inc.[2]		Wharton E.F.A. Inc.[2]				
Feb., 1986		*Feb., 1986*		*Feb., 1986*		*Feb., 1986*		*Date of Forecast*		
Level	*Percent Change*	*Level*	*Percent Change*	*Level*	*Percent Change*	*Level*	*Percent Change*			
								Gross National Product Billions of Current Dollars		
$4061.5	4.5%	$4061.5	4.5%	$4061.5	4.5%	$4061.5	4.5%	IV	1985	Actual
4126.0	6.5	4144.1	8.4	4130.8	7.0	4138.1	7.8	I	1986	
4203.0	7.7	4193.0	4.8	4171.1	4.0	4198.5	6.0	II		
4298.0	9.4	4259.6	6.5	4231.0	5.9	4271.9	7.2	III		
4365.0	6.4	4336.7	7.4	4272.8	4.0	4364.4	8.9	IV		
4415.0	4.7	4397.4	5.7	4339.4	6.4	4457.0	8.8	I	1987	
4432.0	1.5	4456.2	5.5	4403.3	6.0	4538.4	7.5	II		
4467.0	3.2	4533.1	7.1	4472.6	6.4	4618.8	7.3	III		
4535.0	6.2	4602.9	6.3	4556.2	7.7	4696.7	6.9	IV		
		4680.3	6.9	4650.9	8.6	4775.1	6.8	I	1988	
4248.0	6.5	4233.3	6.1	4201.4	5.3	4243.2	6.4	Annual	1986	Actual
4462.3	5.0	4497.4	6.2	4442.9	5.7	4577.7	7.9	Annual	1987	
								Gross National Product Billions of Constant (1982) Dollars		
$3594.8	1.2%	$3594.8	1.2%	$3594.8	1.2%	$3594.8	1.2%	IV	1985	Actual
3626.0	3.5	3629.1	3.9	3629.1	3.9	3631.7	4.2	I	1986	
3668.3	4.7	3654.0	2.8	3648.4	2.1	3660.5	3.2	II		
3714.7	5.2	3675.5	2.4	3680.8	3.6	3697.3	4.1	III		
3735.9	2.3	3702.0	2.9	3695.1	1.6	3746.7	5.5	IV		
3741.5	0.6	3726.1	2.6	3723.3	3.1	3790.4	4.7	I	1987	
3727.8	-1.5	3745.7	2.1	3752.6	3.2	3824.3	3.6	II		
3718.7	-1.0	3778.0	3.5	3781.6	3.1	3853.8	3.1	III		
3735.8	1.9	3800.7	2.4	3820.7	4.2	3878.6	2.6	IV		
		3827.5	2.9	3854.3	3.6	3901.6	2.4	I	1988	
3686.2	3.2	3665.2	2.6	3663.4	2.6	3684.1	3.2	Annual	1986	Actual
3731.0	1.2	3762.6	2.7	3769.6	2.9	3836.8	4.1	Annual	1987	
								Gross National Product deflator Index, 1982 = 100		
113.0	3.3%	113.0	3.3%	113.0	3.3%	113.0	3.3%	IV	1985	Actual
113.8	2.9	114.2	4.3	113.8	3.0	113.9	3.4	I	1986	
114.6	2.8	114.8	2.0	114.3	1.8	114.7	2.7	II		
115.7	4.0	115.9	4.0	114.9	2.2	115.5	3.0	III		
116.8	4.0	117.1	4.4	115.6	2.4	116.5	3.3	IV		
118.0	4.0	118.0	3.0	116.5	3.2	117.6	3.8	I	1987	
118.9	3.1	119.0	3.3	117.3	2.7	118.7	3.7	II		
120.1	4.2	120.0	3.5	118.3	3.2	119.9	4.0	III		
121.4	4.3	121.1	3.8	119.3	3.3	121.1	4.2	IV		
		122.3	3.9	120.7	4.8	122.4	4.3	I	1988	
115.2	3.2	115.5	3.4	114.7	2.7	115.2	3.1	Annual	1986	Actual
119.6	3.8	119.5	3.5	117.9	2.8	119.3	3.6	Annual	1987	
								Unemployment Rate		
	7.0%		7.0%		7.0%		7.0%	IV	1985	Actual
	7.0		6.9		6.7		6.7	I	1986	
	6.8		6.9		6.7		6.7	II		
	6.6		6.8		6.6		6.5	III		
	6.7		6.6		6.6		6.3	IV		
	6.9		6.6		6.5		6.2	I	1987	
	7.4		6.5		6.5		6.1	II		
	7.6		6.4		6.5		6.2	III		
	7.6		6.3		6.4		6.2	IV		
			6.3		6.3		6.3	I	1988	
	6.8		6.8		6.6		6.5	Annual	1986	Actual
	7.4		6.5		6.5		6.2	Annual	1987	

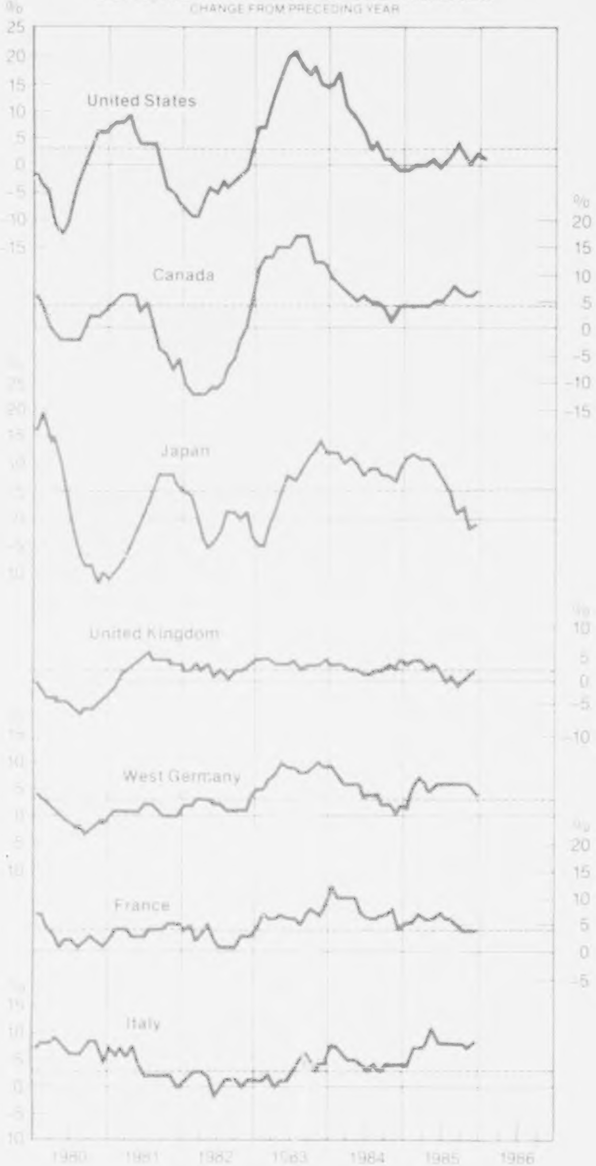
Please Note: In the interest of speeding the data contained in this publication to you, these series are available on-line through The Conference Board Data Base. For more information, contact Linette Stein Waters or Ken Goldstein at (212) 759-0900.

SELECTED INTERNATIONAL COMPARISONS

INDUSTRIAL PRODUCTION INDEXES

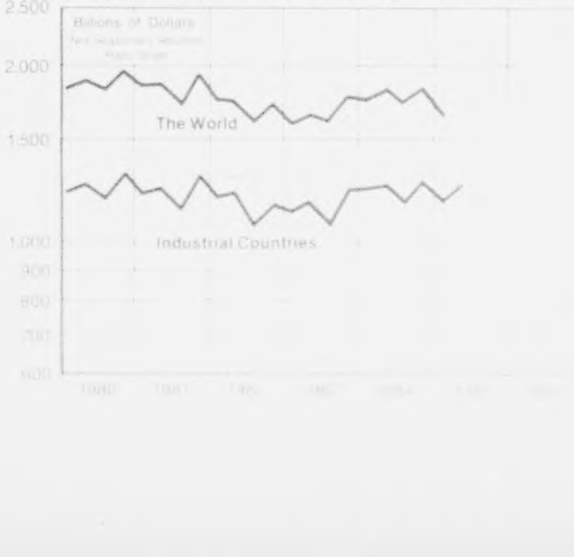


LEADING BUSINESS CYCLE INDEXES

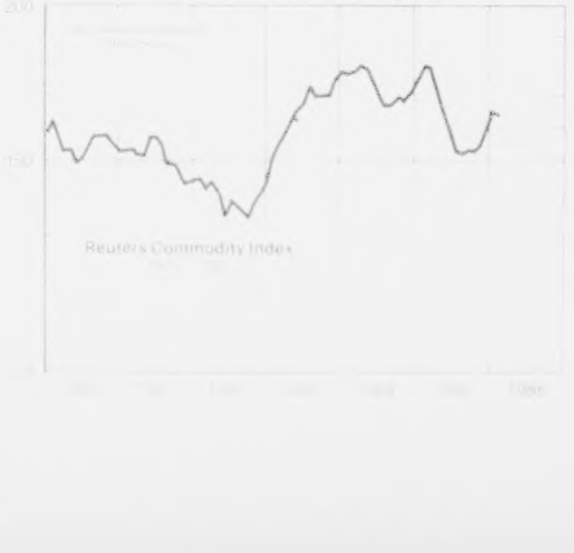


Source: Center for International Business Cycle Research, Columbia University

MERCHANDISE TRADE: VALUE OF EXPORTS

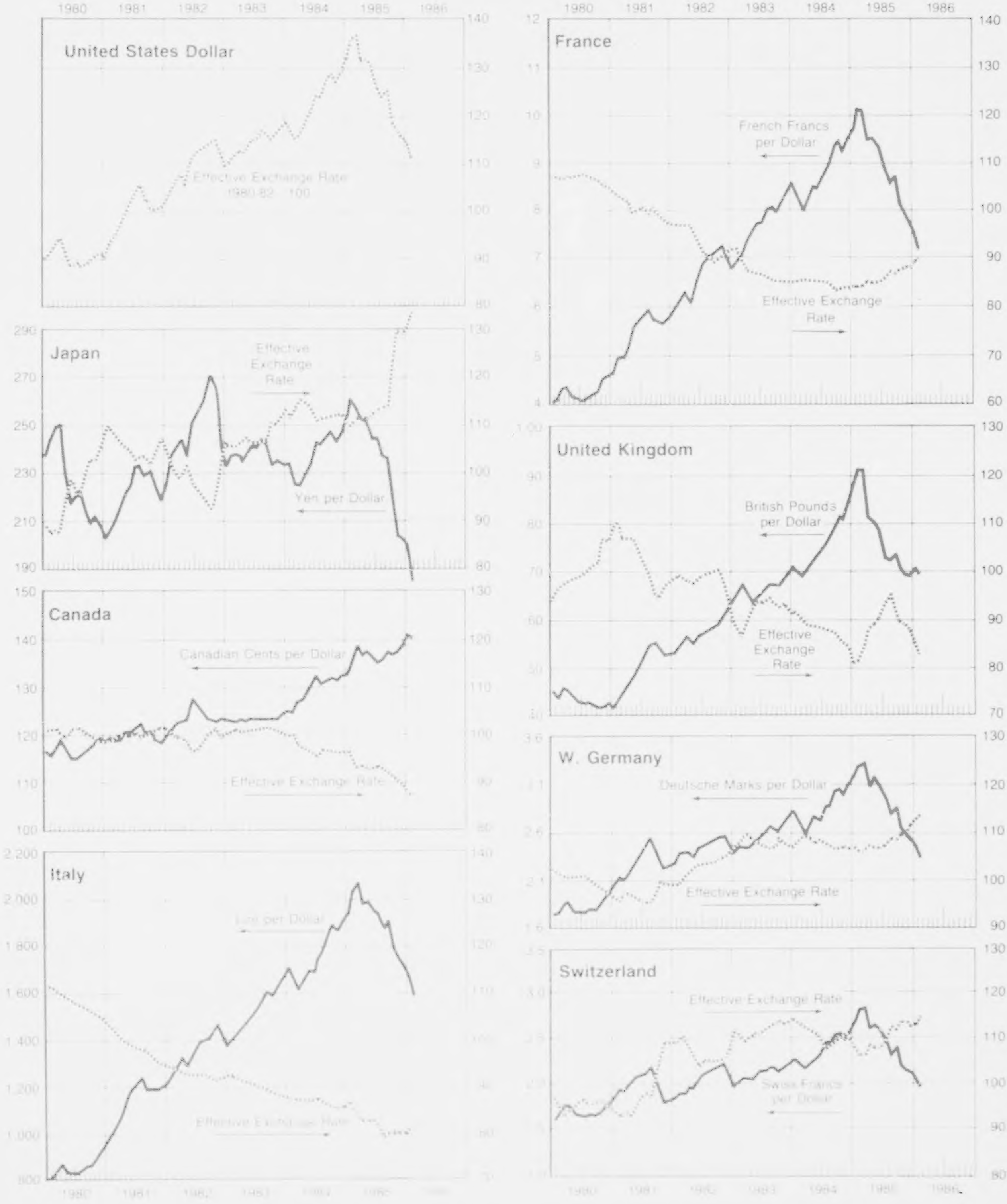


RAW MATERIALS PRICES



Foreign Exchange Rates

Indexes: 1980-82 = 100



Note: Nominal Effective Exchange Rates [illegible]

Source: Morgan Guaranty [illegible]

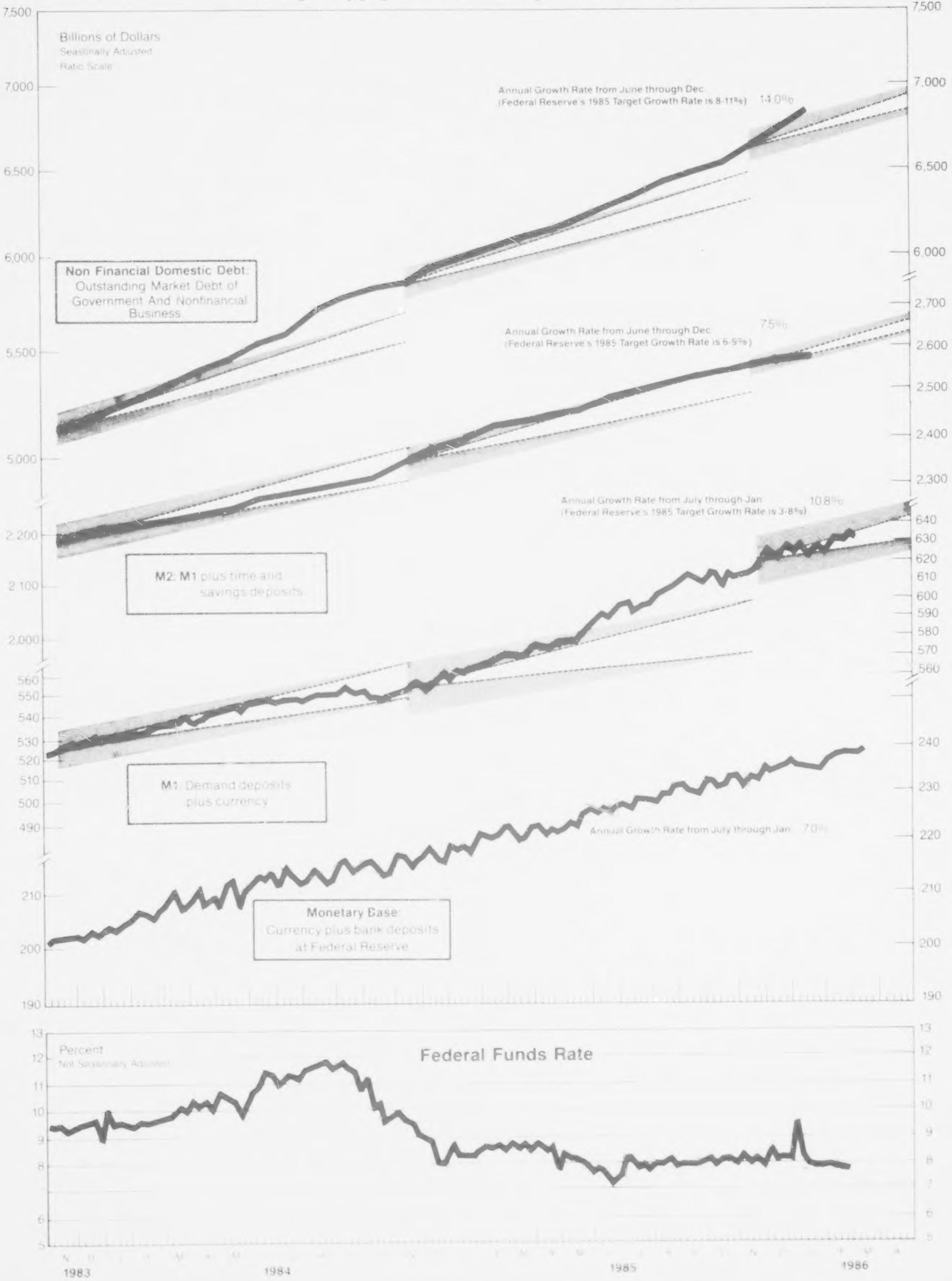
PERSPECTIVE ON THE FEDERAL BUDGET
(Billions of Current Dollars)

	Fiscal 1986		Fiscal 1987		Fiscal 1988	
	Administration's Latest Estimate (2/5/86)	Congress's Latest Estimate (2/26/86)	Administration's Latest Estimate (2/5/86)	Congress's Latest Estimate (2/26/86)	Administration's Latest Estimate (2/5/86)	Congress's Latest Estimate (2/26/86)
Receipts	$ 777.1	$ 778.7	$ 850.4	$ 849.9	$ 933.2	$ 928.1
Outlays	979.9	983.5	994.0	1,009.7	1,026.8	1,060.3
Deficit	202.8	204.7	143.6	159.7	93.6	132.3
Receipts by source	$777.1	$778.7	$850.4	$849.9	$933.2	$928.1
Individual income	[illegible]	[illegible]	[illegible]	[illegible]	425.9	422.0
Social security	[illegible]	[illegible]	[illegible]	[illegible]	334.2	333.5
Corporate income	[illegible]	[illegible]	[illegible]	[illegible]	101.2	101.2
Other receipts	[illegible]	[illegible]	[illegible]	[illegible]	71.9	71.4
Outlays by function	$979.9	$983.5	$994.0	$1,009.7	$1,026.8	$1,060.3
National defense	[illegible]	[illegible]	[illegible]	[illegible]	299.1	316.6
Social security	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	303.1
Income security	[illegible]	[illegible]	[illegible]	[illegible]	123.1	123.7
Health	[illegible]	[illegible]	[illegible]	[illegible]	36.7	36.8
Veterans benefits	[illegible]	[illegible]	[illegible]	[illegible]	26.8	26.9
Education & manpower	[illegible]	[illegible]	[illegible]	[illegible]	26.3	26.5
Transportation	[illegible]	[illegible]	[illegible]	[illegible]	24.1	24.3
Agriculture	[illegible]	[illegible]	[illegible]	[illegible]	19.7	23.5
International affairs	[illegible]	[illegible]	[illegible]	[illegible]	18.0	17.5
Natural resources	[illegible]	[illegible]	[illegible]	[illegible]	11.8	11.9
General science	[illegible]	[illegible]	[illegible]	[illegible]	4.3	9.4
Justice	[illegible]	[illegible]	[illegible]	[illegible]	7.0	7.2
General government	[illegible]	[illegible]	[illegible]	[illegible]	5.7	6.4
Community development	[illegible]	[illegible]	[illegible]	[illegible]	5.5	5.4
Commerce, Housing credit	[illegible]	[illegible]	[illegible]	[illegible]	3.8	4.3
Energy	[illegible]	[illegible]	[illegible]	[illegible]	4.1	4.1
Revenue sharing	[illegible]	[illegible]	[illegible]	[illegible]	1.8	1.8
Interest	[illegible]	[illegible]	[illegible]	[illegible]	145.1	152.7
Allowances	[illegible]	[illegible]	[illegible]	[illegible]	2.9	2.9
Offsetting receipts	[illegible]	[illegible]	[illegible]	[illegible]	46.8	44.2

ECONOMIC ASSUMPTIONS OF THE BUDGET

GNP						
Current Dollar	$4,274.0	$4,269.0	$4,629.0	$4,583.0	$4,995.0	$4,930.0
Constant (1982) Dollar	3,695.0	3,688.0	3,842.0	3,803.0	3,996.0	3,928.0
Percent change in						
Current dollar	[illegible]	6.9%	8.3%	7.1%	7.9%	7.6%
Constant (1982) dollar	3.4	3.7	4.0	4.1	4.0	3.3
Implicit price index	3.5	3.6	4.2	3.1	3.7	4.1
Consumer price index	3.5	3.4	4.1	4.2	3.7	4.4
91-Day T bill rate	7.3	6.8	5.5	6.7	5.6	6.4
Unemployment rate	6.7	6.7	6.5	6.7	6.3	6.5

Money Supply and Monetary Growth Targets



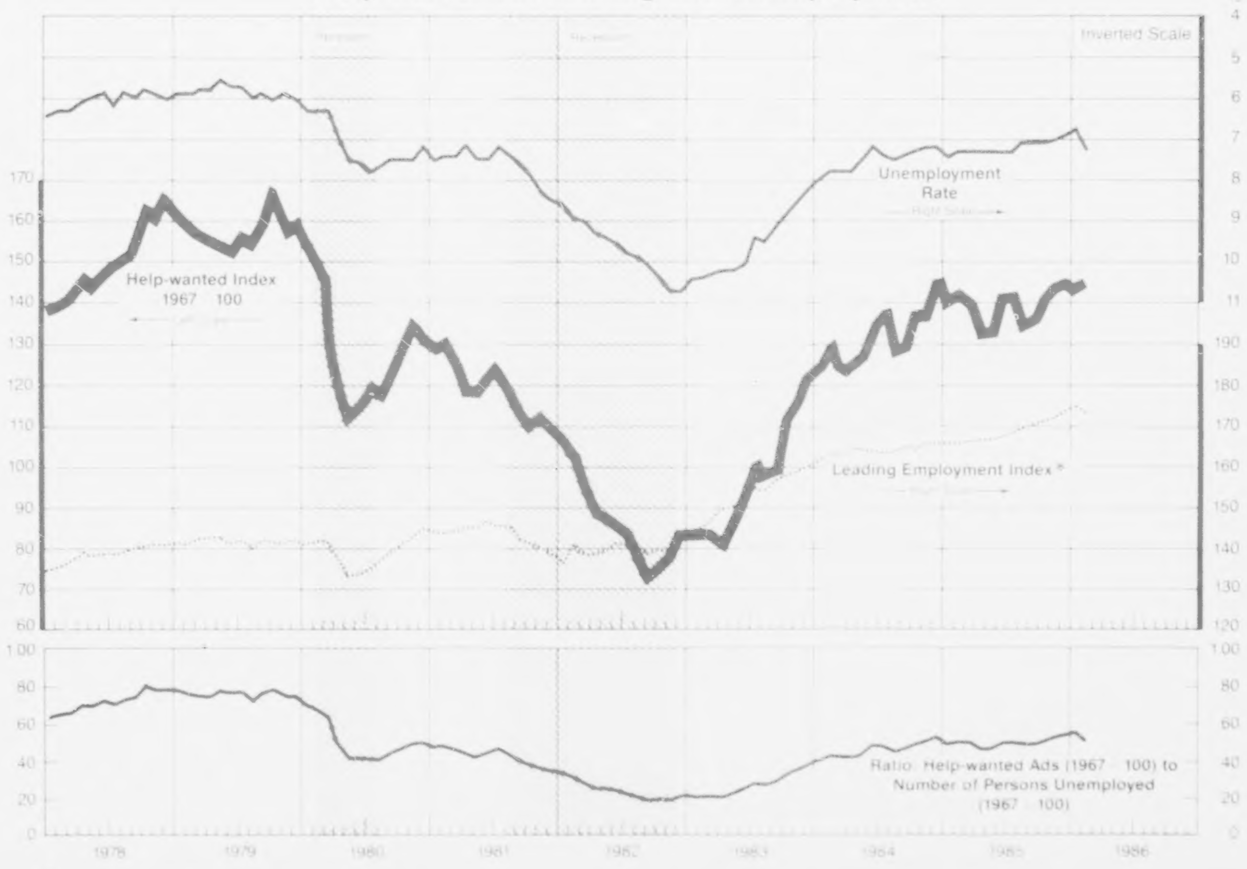
CONFERENCE BOARD HELP-WANTED ADVERTISING INDEXES

Seasonally Adjusted Indexes, 1967 = 100

	1986	1985		
Locality	Jan.	Dec.	Nov.	Jan.
National Index	143	145	144	141r
New England	156	156r	161	149r
Boston	162	159	171	161
Hartford	169	164r	160	151r
Providence	125	136	129	109
Middle Atlantic	73	74	72	66
Albany	173	162	163	144
Allentown	196	209	189	202
New York	56	53	58	54
Philadelphia	64	73	[illegible]	57
Pittsburgh	83	88	77	66
Rochester	91	96	90	85
Syracuse	118	122	116	99
East North Central	90	98	93	83
Chicago	91	104	103	90
Cincinnati	163	133	131	130
Cleveland	60	65	62	59
Columbus	158	161	146	137
Dayton	84	90	84	69
Detroit	67	72	64	56
Gary	123	117	123	115
Indianapolis	86	102	102	87
Milwaukee	95	87	98	89
Toledo	130	128	121	114
West North Central	95	90	90	91r
Kansas City	160	141	148	121
Minneapolis	71	79	78	81
Omaha	117	109	108	104r
St. Louis	69	67	65	74r
South Atlantic	191	194r	192	180r
Atlanta	287	289	295	295
Baltimore	219	223	220	196r
Charlotte	161	149	141	151
Jacksonville	211	230	240	191
Miami	83	76r	86	79
Richmond	126	128	120	106
Washington, D.C.	183	190	187	168
East South Central	170	154r	149	141r
Birmingham	173	172r	171	145r
Knoxville	212	204	195	201
Louisville	99	102	94	85
Memphis	128	114	111	105
Nashville	275	211	207	210
West South Central	221	253	223	279
Dallas	305	421	307	402
Houston	264	273	270	341
New Orleans	101	108	102	117
Oklahoma City	130	125	134	153
San Antonio	196	165	183	210
Tulsa	148	157	139	158
Mountain	316	323	337	329
Denver	206	205	204	226r
Phoenix	458	463	506	457
Salt Lake City	330	354	357	347
Pacific	211	201	214	206
Los Angeles	156	148	155	157
Sacramento	399	376	386	341
San Bernardino	228	231	220	223r
San Diego	485	461	486	434
San Francisco	203	191	228	212
Seattle	199	189	188	185
Percentage of papers with rising volume	47	67	69	35
Unemployment rate	6.7	6.9	7.0	7.4

Note: For definitions and method, see Noreen Preston, *The Help-wanted Index* (New York: The Conference Board, 1977).
r—revised N.A.—not available

Help-wanted Advertising and Unemployment



* Source: Center for International Business Cycle Research, Columbia University

CONFERENCE BOARD INDEXES OF CONSUMER CONFIDENCE AND BUYING PLANS

Indexes, 1985 = 100
(Seasonally Adjusted)

Consumer Confidence Index

	Jan	Feb	Mar	Apr	May	June	July	Aug	Sept	Oct	Nov	Dec
1983	59.8	70.1	81.2	81.8	85.9	87.0	87.8	89.9	92.2	93.5	96.7	104.9
1984	16.8	17.6	24.0	29.3	32.3	103.7	98.5	101.6	102.4	101.7	106.1	98.7
1985	103.0	104.0	98.0	101.0	96.6	100.0	101.2	99.6	98.9	99.3	98.7	99.8
1986	97.8r	96.7p										

Buying Plans Index

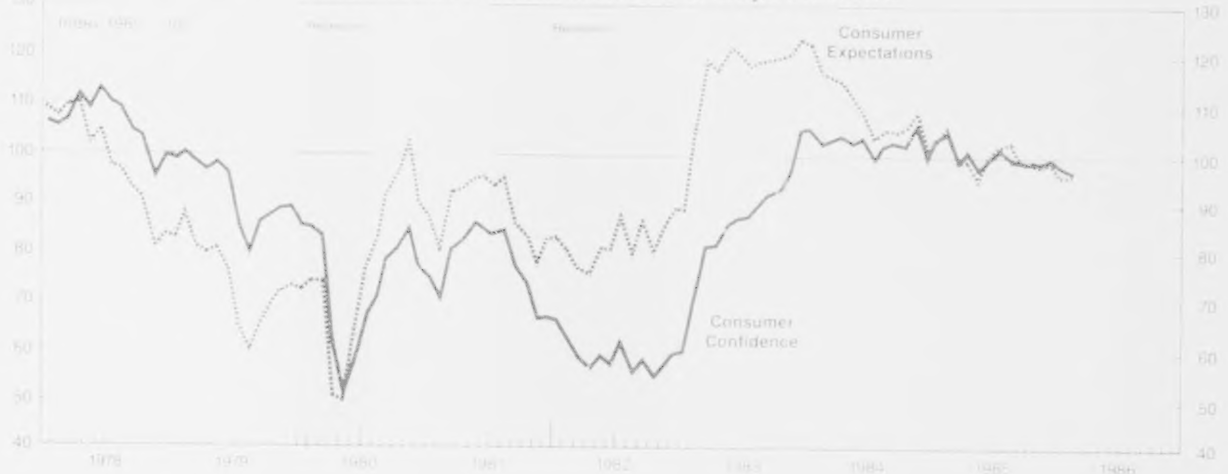
	Jan	Feb	Mar	Apr	May	June	July	Aug	Sept	Oct	Nov	Dec
1983	71.7	71.1	77.5	85.6	84.7	89.0	94.4	85.0	101.6	102.2	99.2	99.3
1984	99.2	96.0	90.7	98.6	102.5	104.9	89.5	95.5	83.5	92.7	96.0	91.9
1985	100.7	98.7	98.4	97.4	89.5	96.3	93.1	98.4	107.3	110.3	101.2	108.8
1986	105.6p	101.1p										

Confidence index measures consumer optimism in appraising economic conditions. Buying plans index is based on intentions to purchase cars, homes, appliances. Expectations index (charted below) measures consumer attitudes with regard to business conditions and employment and income levels six months hence. Data prior to May, 1981 based on survey of families. Data after May, 1981 are based on survey of households. A description of these indexes appears in The Conference Board RECORD, September, 1973.

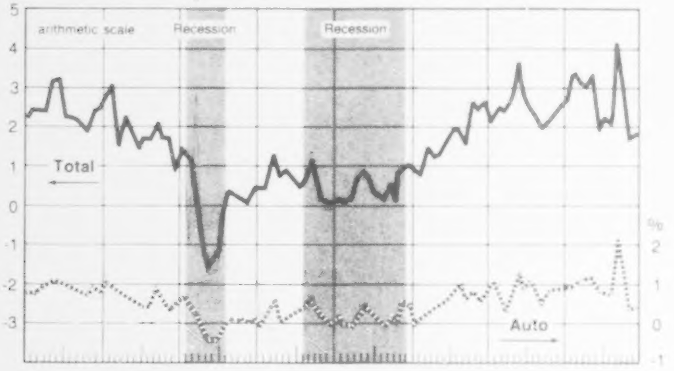
Surveys are conducted by National Family Opinion, Inc.

p—preliminary r—revised

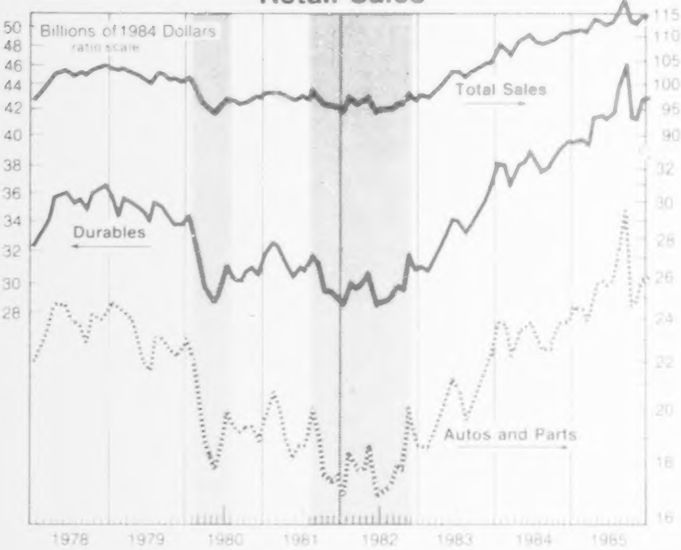
Consumer Confidence and Expectations



Consumer Installment Debt Expansion ÷ Personal Income



Retail Sales



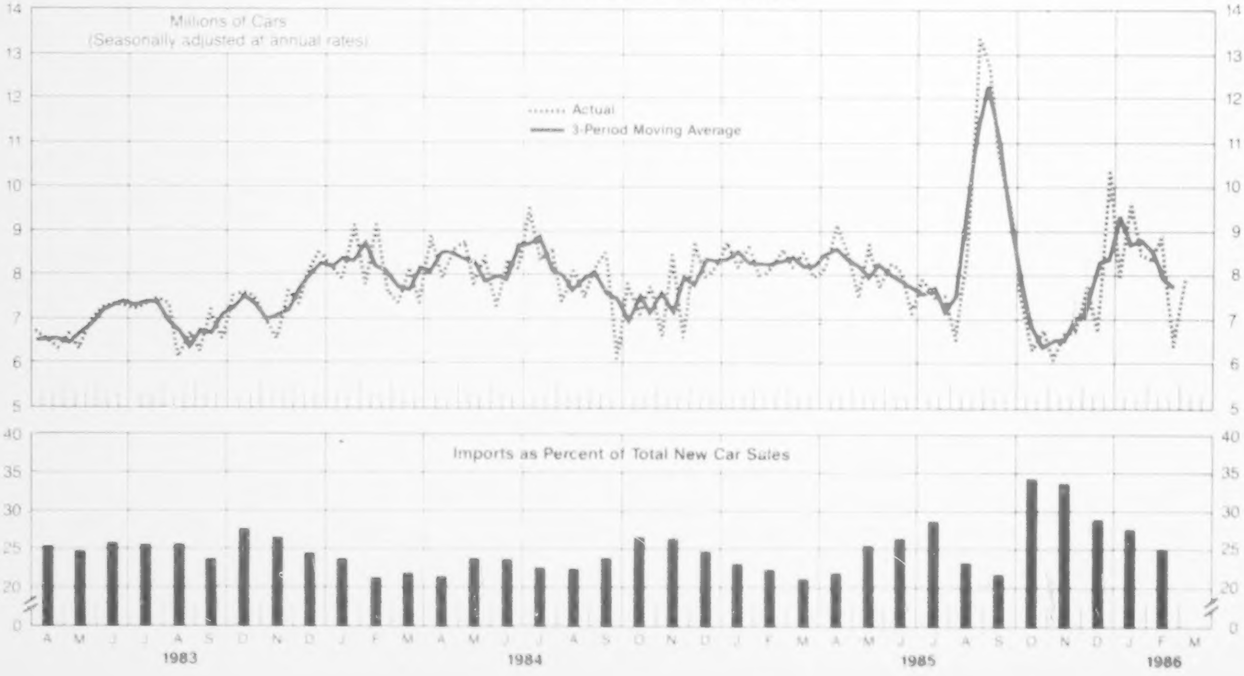
CONFERENCE BOARD ESTIMATES OF NEW AUTO SALES, BY 10-DAY PERIODS

Millions, Seasonally Adjusted at Annual Rate

Periods		1983	1984	1985	1986
January:	1-10	6.17	8.16	8.69	7.97
	11-20	6.20	7.84	8.15	9.63
	21-31	5.60	9.15	8.62	8.40
February:	1-10	5.86	7.79	7.97	8.32
	11-20	5.30	9.17	8.04	8.93
	21-28(29)	6.07	7.60	8.58	6.38
March:	1-10	5.61	7.35	8.14	7.81
	11-20	6.10	8.13	8.44	
	21-31	6.19	7.35	7.94	
April:	1-10	6.69	8.88	8.16	
	11-20	6.52	7.96	9.12	
	21-30	6.35	8.60	8.46	
May:	1-10	6.67	8.75	7.45	
	11-20	6.30	7.74	8.69	
	21-31	6.97	8.43	7.70	
June:	1-10	7.23	7.22	8.21	
	11-20	7.34	8.25	8.02	
	21-30	7.28	8.10	7.16	
July:	1-10	7.25	9.51	7.89	
	11-20	7.36	8.32	7.47	
	21-31	7.43	8.59	7.53	
August:	1-10	7.39	7.33	6.47	
	11-20	6.11	8.07	8.39	
	21-31	6.65	7.43	13.29	
September:	1-10	6.26	8.13	12.76	
	11-20	7.21	8.52	10.63	
	21-30	6.55	6.03	9.49	
October:	1-10	7.52	7.83	7.44	
	11-20	7.56	7.07	6.27	
	21-31	7.45	7.70	6.75	
November:	1-10	6.96	6.60	6.04	
	11-20	6.55	8.44	6.66	
	21-30	7.62	6.57	6.70	
December:	1-10	7.30	8.75	7.72	
	11-20	8.09	7.96	6.74	
	21-31	8.48	8.19	10.38	

Note: Dealer sales exclude exports and foreign-model cars (unless manufactured domestically.) Data from Ward's Automotive Reports are seasonally adjusted by The Conference Board. Prior data available upon request.

Domestic-Model Car Sales



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STATISTICAL BULLETIN

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The Conference Board
70th Anniversary

THE CONFERENCE BOARD'S STATISTICAL BULLETIN COMMENTARY

* CONSUMER EARNING & SPENDING REMAIN ROBUST
* BUT CAR & HOME BUYING HAVE SLOWED
* NEW ORDERS STILL SLUGGISH
* LABOR MARKET HAS COOLED DOWN
* EVEN NONENERGY PRICES ARE FALLING
* TRADE BALANCE SEEMS TO BE IMPROVING
* OUTLOOK * SECOND QUARTER GROWTH MAY BE A BIT FASTER THAN THE SOLID RISE IN THE FIRST QUARTER

OVERVIEW: On net, the expansion remains healthy, but with some pronounced imbalances. The financial markets remain quite bullish, and growth continues apace in other service industries. Both residential and nonresidential construction continue to expand, though more slowly than a few months ago. And imports are apparently no longer flooding into domestic markets.

The basic industrial core of the economy, however, has yet to gather any forward momentum. Moreover, the most immediate impact of falling energy prices appears to be a severe weakening of business in the Southwest. The course of the economy in this late expansion period depends, in part, on some reinvigoration in these areas.

The consensus outlook remains quite optimistic, despite the weakening in the Southwest, slowing home and car sales, a flat trend in industrial production and no real pickup in orders. In December, the median of the **Economic Forecasts** was for real GNP to rise by 3% over the 4-quarter span ending in the fourth quarter of 1986. During the following 2 months, interest rates and energy prices fell decisively. The median forecast went up to 4%, and remained there in March. This suggests that falling interest rates and inflation, strong money growth, and continued vigorous fiscal stimulus will power the industrial core onto a faster track—narrowing some of the imbalances now in evidence.

DOMESTIC MARKET MONITOR

The imbalances are clearly reflected in the latest labor market data. From October through January, employment in construction and durable manufacturing rose by almost one-quarter million. But over the next 2 months, it fell by almost 100,000 in these 2 sectors. That job loss offset strong gains in some service industries, holding the unemployment rate at 7.2% by March.

Even within the service sectors, job growth has been uneven. To be sure, it has been quite vigorous in finance, health care, business services, retail trade and state and local government. It has been more subdued, however, in wholesale trade. And employment fell slightly in transportation and public utilities. Job gains, then, have been less robust in service areas most closely linked to goods production.

Total hours worked in the first quarter rose by 3.5%, annual rate. That primarily reflects the addition of new workers in service industries. Manufacturing hours were no higher in the first quarter than in the prior quarter. Construction hours rose substantially in January but then tailed off in the succeeding 2 months.

Hiring may not quicken over the next few months. The Conference Board's **Help-wanted Index** dropped to 142 (1967 = 100) in February, from 145 only 2 months earlier. Partial returns to the March survey suggest that this measure of labor demand may have slid another point or 2. Want-ad volume fell sharply in the West South Central region. And that decline was not offset by rising ad volume elsewhere.

Income growth has been relatively strong because there are more workers on service payrolls and there has been some rise in hourly pay. Wages in goods production were 0.9% higher in February than 3 months earlier. But wage rose significantly in other areas. The average hourly rate in private industry was $8.74 in March, up from $8.67 in January.

Consumer spending has actually been fairly strong. Spending on durables was 2.2% higher, deflated, in February than 3 months earlier—largely reflecting a spurt in car sales: Spending on services was up 1.7% but spending on nondurables was 1% lower. However, both domestic and foreign car sales were lower in March.

Home buying and construction, except in the South, remain relatively strong. Total housing starts fell 3.5% in February, despite a 10.7% rise outside of the Southern states.

The cutback in construction in the South seems to have carried over to nonresidential building. The value of new, nonresidential construction only rose by 0.4%, deflated, in February. That's a much smaller increase than in prior months. Problems in energy, farm, computer and even some defense-related industries in the South are spreading into finance and real estate. And that is blunting some of the stimulative impact of falling interest rates.

Ken Goldstein, Editor

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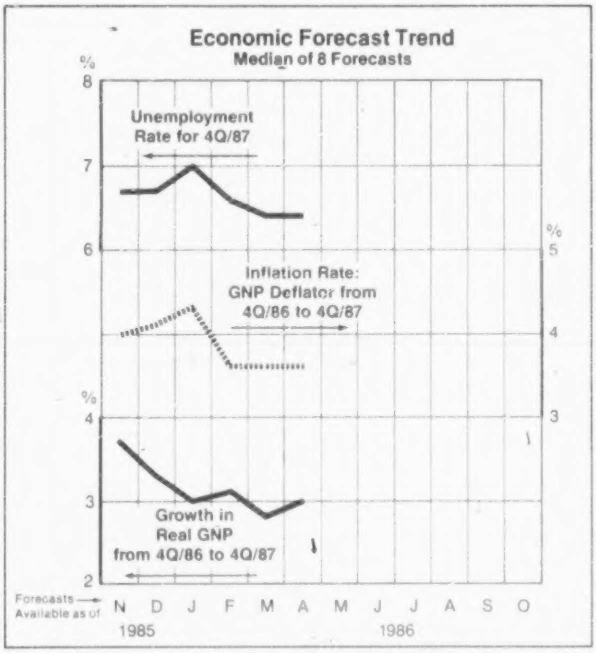


Despite reasonably strong consumer income and spending, industrial production is flat, capacity utilization is falling and manufacturing employment declined. Total industrial production was no higher in March than 3 months earlier. But production of business equipment fell by 1.6 percent. That suggests that investment in equipment is soft. The Conference Board's survey on **Capital Appropriations and Expenditures** for the fourth quarter showed that executives in the nation's 1,000 largest manufacturing firms expect their total investment to rise by 8% this year. The evidence, however, points to weak demand for equipment at the moment, despite more favorable borrowing rates.

Industrial production may remain somewhat flat as orders coming in remain sluggish. For example, aircraft orders more than doubled in December, but then dropped off sharply in the next 2 months. Defense orders were 7.2% higher in February than 3 months earlier, yet they may be slowed by budget restraint. Nondefense orders were 3.7% higher. Industry is not moving to step up production schedules, in light of possible defense cutbacks, only a modest rise in nondefense orders, and sustained discipline in keeping inventory from piling up.

INVENTORY: The only sign of any rise in inventory right now is the proliferation of unsold cars. Car makers continue to offer discount-loan rates, and have scaled back production schedules in order to empty those car lots.

PRICES: Declines in oil prices have been widely analyzed and publicized. Less attention has been focused on other declining commodity prices. Raw food prices fell 5.2% in March. Raw industrial prices dropped 4% and metal prices declined by 6.1 percent. These declines suggest that demand for raw material inputs is not very strong right now.

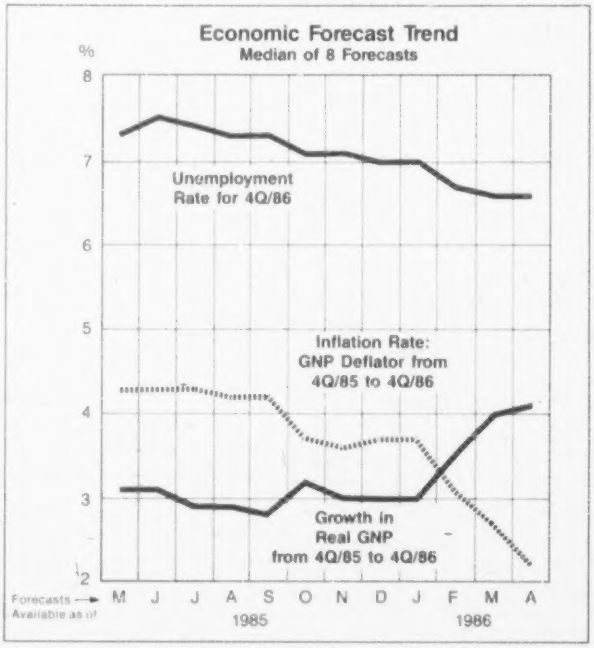
That's one more sign of the lack of vigor in the industrial core. Yet the **Economic Forecasts** project a quite strong 4% pace over the 4-quarter span ending in the fourth quarter of 1986. That indicates an anticipation that conditions will begin to turn around.

INTERNATIONAL MONITOR

Imports have declined in the last few months. That partly reflects a big drop in oil shipments: Almost 13% fewer barrels of oil were shipped in February than 3 months earlier. With the big drop in price, that translates to 20% decline in the value of shipments. Agricultural shipments were 11% higher.

Imports of manufactured goods were 1.3% lower in February than 3 months earlier—largely a reflection of fewer car shipments from Japan and Canada. Exports of manufactured products were 4.2% higher than 3 months earlier. The lower value of the dollar (trade-weighted Exchange Rate against other major currencies was 20% lower in March, 1986 than one year earlier) may be helping to limit imports and giving a little boost to exports.

Ken Goldstein

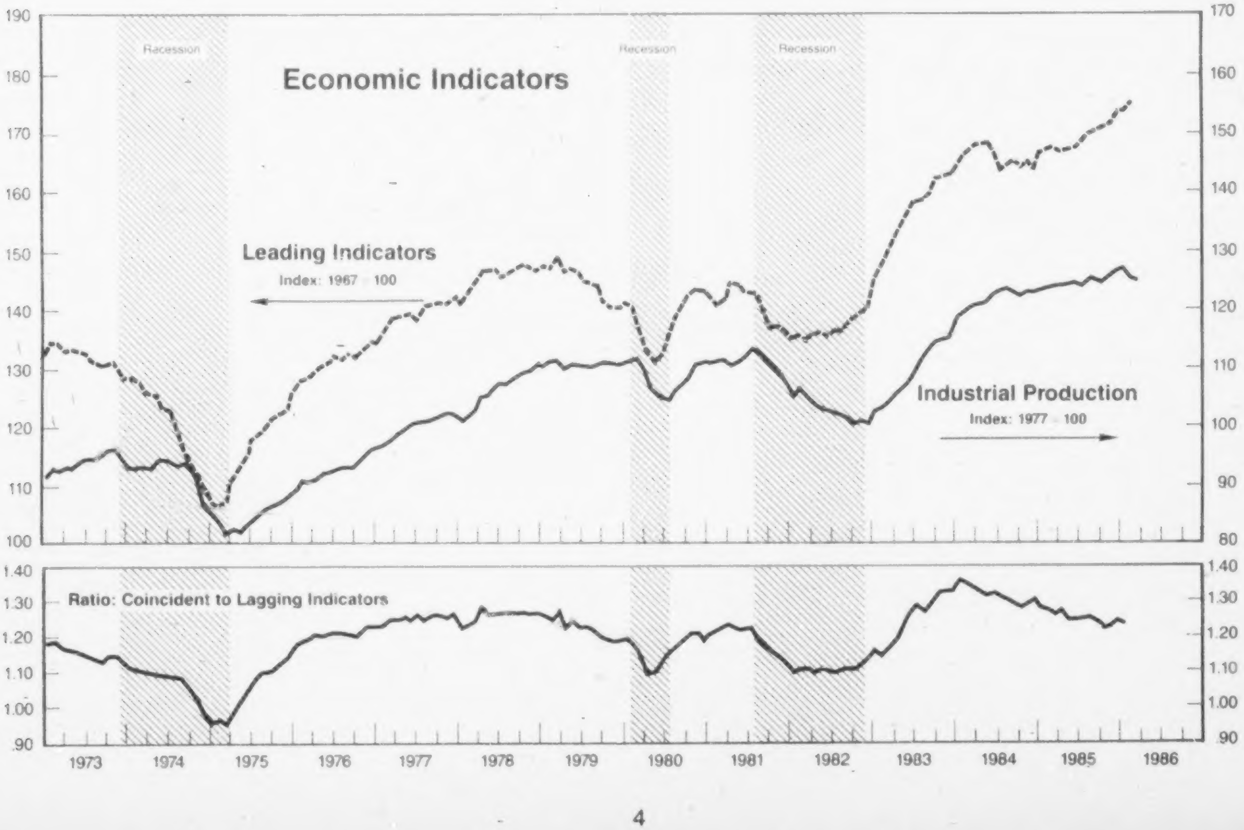


STATUS OF LEADING ECONOMIC INDICATORS

		Rising	Level	Declining	Change over latest three months	Change From Year-Ago
		(Classification based on movement of series over several months)				
Leading Economic Indicators	Feb.	X			+ 2.3%	+ 4.8%
Capital Investment Commitments						
*Contracts and orders, plant & equipment (deflated)	Feb.			X	+ 8.6%	− 4.9%
New orders, nondefense capital goods (deflated)	Feb.		X		+ 12.5%	− 4.6%
*New business formation	Feb.	X			+ 2.4%	+ 1.1%
*Housing permits	Feb.		X		+ 8.5%	+ 11.0%
Inventory Investment and Purchasing						
*New orders, consumer goods & materials (deflated)	Feb.		X		+ 0.3%	+ 4.2%
*Change in inventory, on hand & order (deflated)	Jan.	X			+ 21.7%	+ 9.2%
Purchasing agents' buying policy	Mar.	X			+ 4.0%	− 5.0%
*Vendor performance, reported slower deliveries	Mar.	X			+ 4.0%	+ 4.0%
Industrial raw materials prices	Mar.			X	− 5.3%	+ 11.8%
*Change in sensitive material prices	Feb.		X		+ 0.0%	+ 0.5%
Sensitive Financial Flows						
*Money balance (M2 deflated)	Feb.		X		+ 0.7%	+ 3.1%
Change in business loans	Feb.			X	− 76.9%	− 34.2%
*Change in credit outstanding	Feb.			X	− 5.8%	− 4.8%
Change in consumer installment debt	Jan.			X	− 18.5%	− 4.2%
Profitability						
Total corporate profits, after tax (deflated)	4th Q	X			+ 5.5%	+ 4.0%
*Common stock prices	Mar.	X			+ 11.4%	+ 28.7%
Marginal Employment Adjustments						
*Average workweek, mfg.	Feb.		X		− 0.1hr	+ 0.6hr
*Initial unemployment claims (inverted)	Feb.			X	− 1.1%	+ 4.5%

Note: For a description of the Leading Indicators Composite Index see Bureau of Economic Analysis, *Handbook of Cyclical Indicators*, (Washington, D.C., Government Printing Office) June, 1977.

*These twelve series make up the Composite Leading Index charted below.



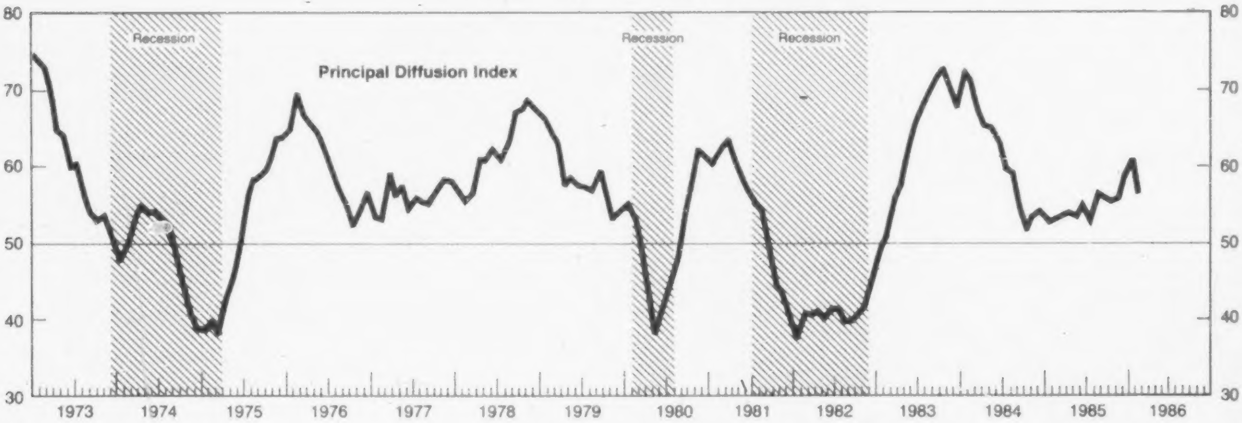
CONFERENCE BOARD DIFFUSION INDEXES

DIFFUSION INDEXES	1985 Feb.	1985 Nov.	1985 Dec.	1986 Jan.	1986 Feb. (e)
Principal Diffusion Index	53.2	56.2r	59.0r	60.9r	56.5
Auxillary Diffusion Index	51.9	52.7r	59.4r	56.1r	35.6
Industrial Group	45.3	59.6r	61.5r	63.2r	56.8
Nonindustrial Group	61.2	52.8	56.6	58.7	56.2
Sense of Diffusion	0	1	1	1	1
SUBGROUP DIFFUSION INDEXES					
Industrial Subgroups					
Production	34.6	70.9	66.7	67.1	67.1
Labor	54.7	63.2r	66.0r	65.9r	56.2
Miscellaneous	39.1	33.3	42.3	50.6	42.9
Nonindustrial Subgroups					
Prices	40.4	45.5	54.5	54.5	54.5
Consumer	85.0	65.0	69.7	74.4r	68.8
Building	57.1	50.3	50.0	49.7r	41.7
Miscellaneous	53.8	47.0	49.4	51.7	54.5

Note: The principal diffusion index reflects the frequency of rises in 20 component series over the 12-month period ending in the month indicated. The index is based on the direction of change, not the magnitude of change, from month to month. Each component series carries equal weight in the index, but the direction of recent changes is weighted more heavily than are earlier changes. If, for example, 10 component series rose and 10 declined in each of the last 12 months, the current index would be higher than 50 because the data over the latest six-month period are weighted more heavily than data from the earlier six-month period. On the other hand, if all 20 series rose in each of the last six months, after declining in each of the prior six months, weighting would make the current index considerably greater than 50. See Morton Ehrlich, "Using The Conference Board's Diffusion Indexes," The Conference Board *RECORD*, July, 1966.

e-estimate r-revised

The Conference Board Diffusion Index



BUSINESS EXECUTIVES' EXPECTATIONS

	1983 *Aug.*	*1983* *Nov.*	*1984* *Feb.*	*1984* *May*	*1984* *Aug.*	*1984* *Nov.*	*1985* *Feb.*	*1985* *May*	*1985* *Aug.*	*1985* *Nov.*	*1986* *Feb.*
					Score (scale 0-100)						
Measure of Business Confidence	75	74	70	65	61	57	61	52	51	55	61
1. Appraisal of Current Economic Conditions Compared With Six Months Ago	82	80	76	75	70	57	62	48	45	53	63
2. Expectations for Economy, Six Months Ahead	74	73	67	60	57	57	61	53	53	56	62
3. Expectations for Own Industry, Six Months Ahead	69	70	67	61	57	58	61	55	54	56	59

The Measure of Business Confidence is the average of the scores for the three primary questions in the survey. Respondents have five reply options for each question; a score for each question is determined by assigning the following values to the replies and calculating the average value of the replies to the question: Substantially Better—100; Moderately Better—75; Same—50; Moderately Worse—25; Substantially Worse—0. The score for each question, and the overall Measure of Business Confidence, thus can range from 0 to 100.

CONFERENCE BOARD ESTIMATES OF CAPITAL APPROPRIATIONS AND EXPENDITURES BY MANUFACTURERS AND INVESTOR-OWNED UTILITIES

Billions of Dollars, Seasonally Adjusted

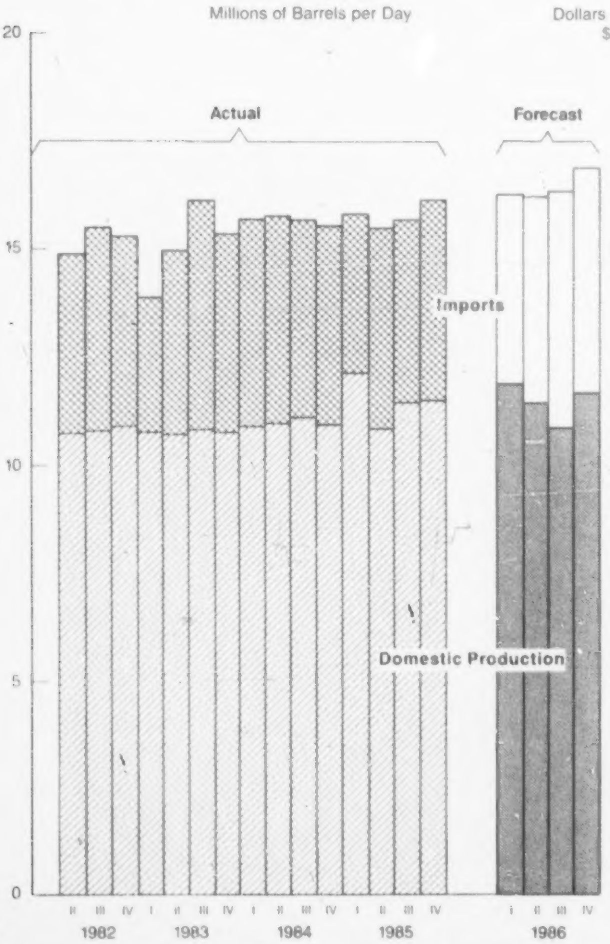
	1984			1985				Percent Change From Previous Year	
	II	III	IV	I	II	IIIr	IVp	1985p Actual	1986 Estimate
1000 LARGEST MANUFACTURING FIRMS									
New appropriations	34.123	27.309	29.100	29.938	27.560	24.167	27.499	- 7	4
Capital expenditures	21.739	23.034	24.587	23.354	24.911	24.730	26.643	11	8
Change in appropriations backlog*	+10.715	+2.885	+2.302	+4.984	+0.529	-2.702	-2.139		
Durable Goods									
New appropriations	18.702	12.742	15.072	16.737	10.910	12.031	12.452	- 13	0
Capital expenditures	10.041	11.101	12.223	11.648	12.814	12.299	12.802	16	5
Change in appropriations backlog*	+ 8.212	+1.107	+1.797	+4.154	-2.515	-1.094	-2.734		
Nondurable Goods									
New appropriations	15.421	14.567	14.028	13.201	16.650	12.136	15.047	- 2	8
Capital expenditures	11.698	11.933	12.364	11.706	12.097	12.431	13.841	6	10
Change in appropriations backlog*	+2.503	+1.778	+0.505	+0.830	+3.044	-1.608	+0.595		
ELECTRIC & GAS UTILITIES									
New appropriations	7.839r	9.863r	11.554r	9.066	15.509r	5.516p			
Capital expenditures	9.016r	9.212r	9.337r	8.828	9.156r	9.047p			
Change in appropriations backlog*	-2.897r	-1.607r	-3.147r	+0.106	+4.809r	-5.496p			

Available on request: Historical data from 1953 (manufacturing) and from 1958 (utilities), and quarterly reports containing text and data for 17 separate manufacturing industries, electric and gas utilities.

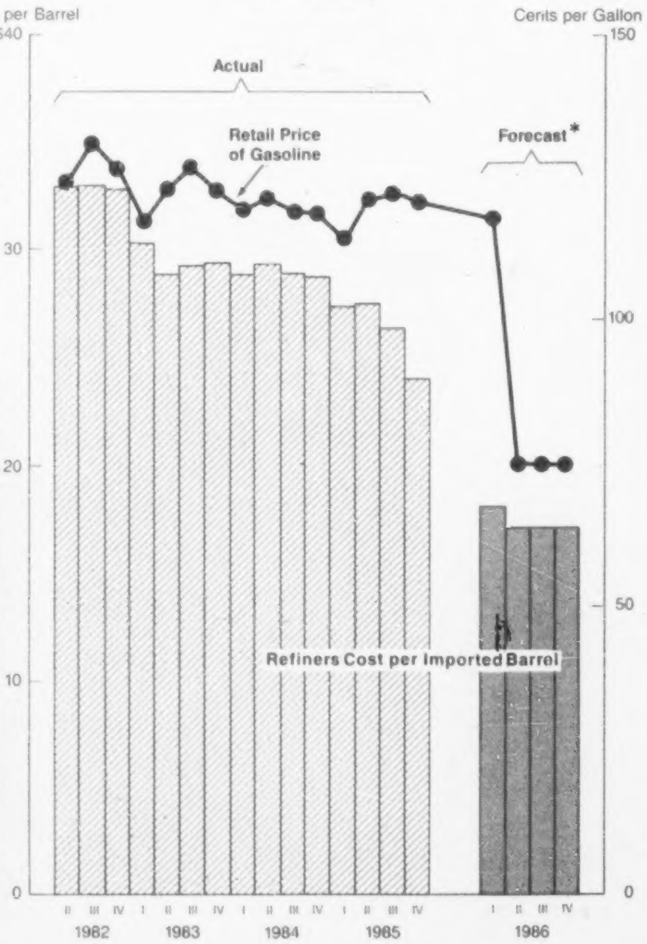
r—revised p—preliminary

* Change in Backlog = New Appropriations - (Expenditures + Cancellations + Other Adjustments).

Oil Supply

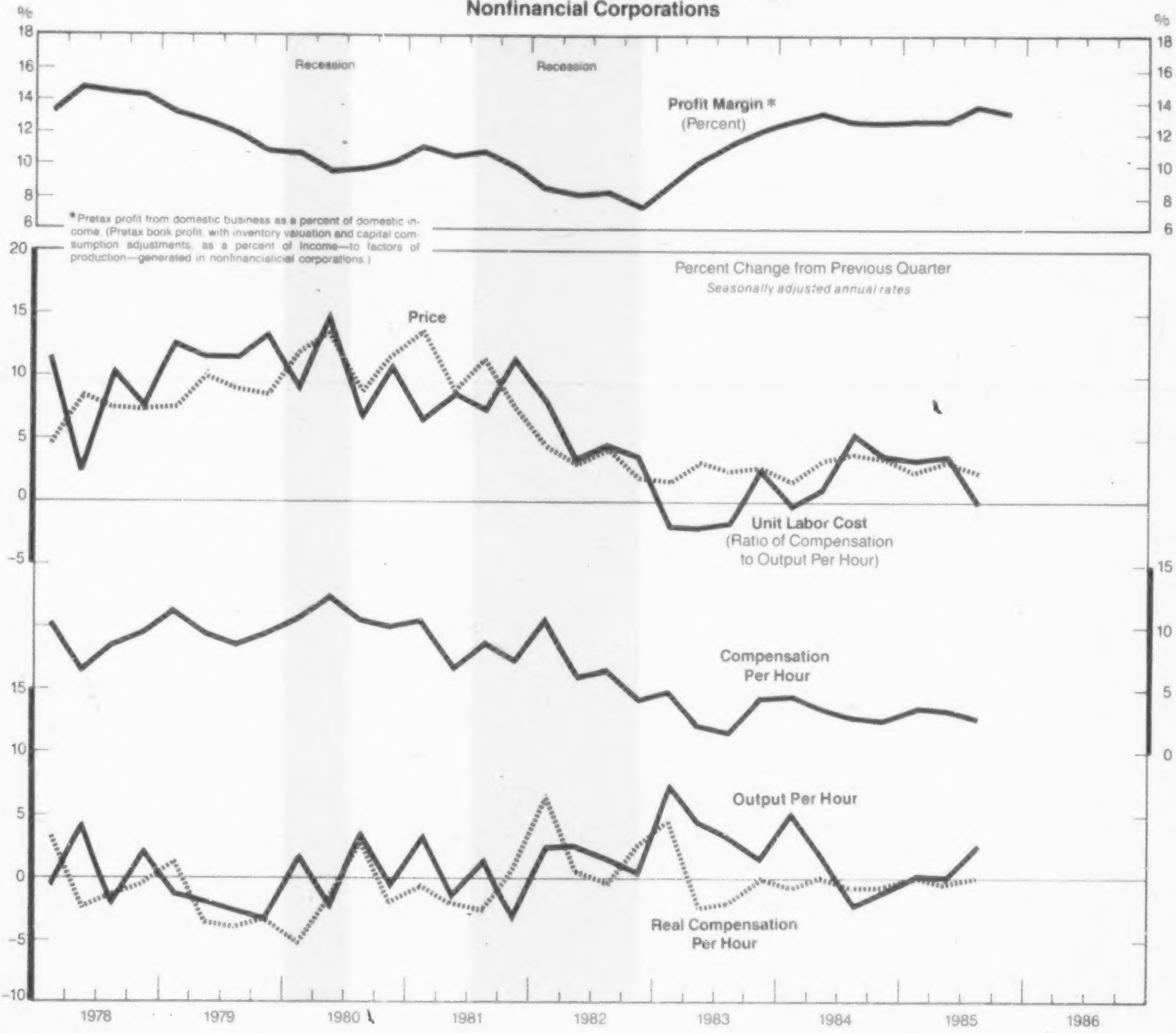


Oil Price



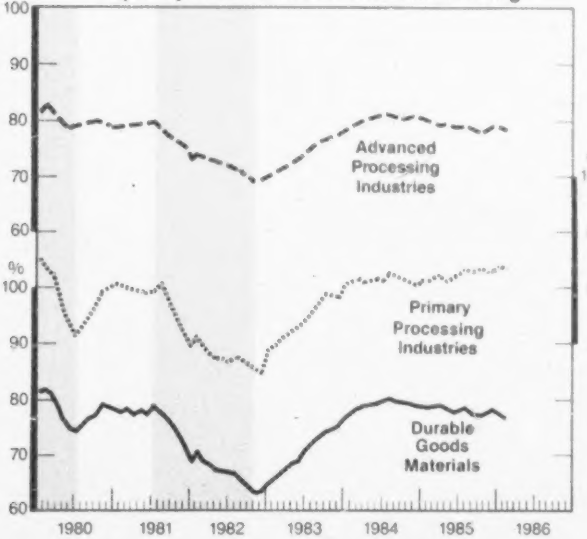
*Source of Forecast is The Energy Information Administration, Department of Energy.

Key Determinants of Profit Margin
Nonfinancial Corporations

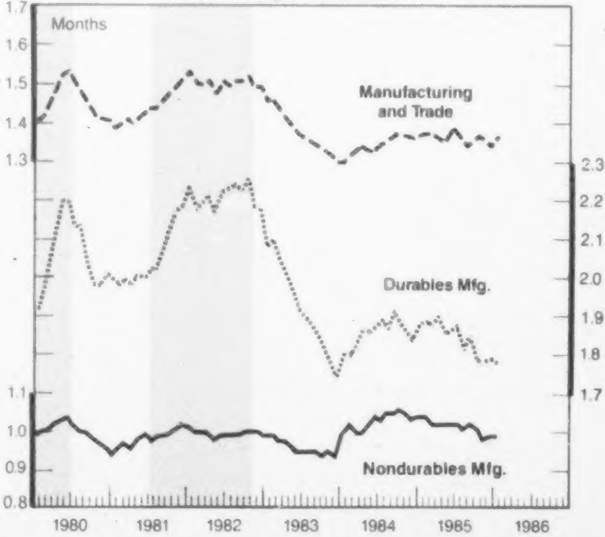


*Pretax profit from domestic business as a percent of domestic income. (Pretax book profit, with inventory valuation and capital consumption adjustments, as a percent of Income—to factors of production—generated in nonfinancialicial corporations.)

Capacity Utilization Rates Manufacturing



Inventory-Sales Ratios



ECONOMIC FORECASTS

			U.C.L.A.[1] Business Forecasting Project		Merrill Lynch[1] Economics Inc.		E.I. duPont[1] de Nemours & Co.		Georgia State University[1]	
Date of Forecast			*Mar., 1986*		*Mar., 1986*		*Mar., 1986*		*Mar., 1986*	
			Level	*Percent Change*	*Level*	*Percent Change*	*Level*	*Percent Change*	*Level*	*Percent Change*
Gross National Product Billions of Current Dollars										
Actual	**1985**	**IV**	**$4059.3**	**4.3%**	**$4059.3**	**4.3%**	**$4059.3**	**4.3%**	**$4059.3**	**4.3%**
	1986	I	4135.7	7.7	4111.1	5.2	$4121.3	6.3	4121.6	6.3
		II	4201.6	6.5	4173.6	6.2	4162.1	4.0	4164.6	4.2
		III	4277.2	7.4	4239.9	6.5	4256.5	9.4	4234.3	6.9
		IV	4343.1	6.3	4313.9	7.2	4363.6	10.5	4304.1	6.8
	1987	I	4437.3	9.0	4384.2	6.7	4420.3	5.3	4357.1	5.0
		II	4526.7	8.3	4457.5	6.9	4472.4	4.8	4429.3	6.8
		III	4623.9	8.9	4533.7	7.0	4543.6	6.5	4489.0	5.5
		IV	4736.2	10.1	4607.9	6.7	4611.2	6.1	4553.6	5.9
	1988	I	4853.3	10.3			4704.9	8.4		
Actual	1986	Annual	4239.4	6.3	4209.6	5.5	4225.9	5.9	4206.2	5.5
	1987	Annual	4581.0	8.1	4495.8	6.8	4511.9	6.8	4457.3	6.0
Gross National Product Billions of Constant (1982) Dollars										
Actual	**1985**	**IV**	**$3590.8**	**.7%**	**$3590.8**	**.7%**	**$3590.8**	**.7%**	**$3590.8**	**.7%**
	1986	I	3636.1	5.1	3618.0	3.1	3621.5	3.5	3631.4	4.6
		II	3680.3	5.0	3651.8	3.8	3651.0	3.3	3672.5	4.6
		III	3729.1	5.4	3697.1	5.1	3711.0	6.7	3707.8	3.9
		IV	3766.7	4.1	3745.6	5.4	3778.0	7.4	3736.2	3.1
	1987	I	3807.9	4.4	3782.5	4.0	3804.0	2.8	3746.4	1.1
		II	3843.2	3.8	3818.1	3.8	3816.0	1.3	3769.6	2.5
		III	3880.0	3.9	3845.4	2.9	3844.0	3.0	3781.8	1.3
		IV	3924.8	4.7	3870.5	2.6	3862.0	1.9	3797.8	1.7
	1988	I	3951.0	2.7			3898.0	3.8		
Actual	1986	Annual	3703.1	3.7	3678.1	3.0	3690.4	3.4	3687.0	3.3
	1987	Annual	3864.0	4.3	3829.1	4.1	3831.5	3.8	3773.9	2.4
Gross National Product deflator Index, 1982 100										
Actual	**1985**	**IV**	**113.0**	**3.5%**	**113.0**	**3.5%**	**113.0**	**3.5%**	**113.0**	**3.5%**
	1986	I	113.7	2.5	113.6	2.1	113.8	2.7	113.5	1.6
		II	114.2	1.5	114.3	2.3	114.0	.7	113.4	-.3
		III	114.7	1.9	114.7	1.4	114.7	2.5	114.2	2.9
		IV	115.3	2.1	115.2	1.7	115.5	2.5	115.2	3.5
	1987	I	116.5	4.3	115.9	2.6	116.2	2.4	116.3	3.9
		II	117.8	4.4	116.7	2.9	117.2	3.5	117.5	4.2
		III	119.2	4.8	117.9	4.0	118.2	3.5	118.7	4.1
		IV	120.7	5.1	119.1	4.0	119.4	4.1	119.9	4.1
	1988	I	122.8	7.4			120.7	4.4		
Actual	1986	Annual	114.5	2.5	114.4	2.4	114.5	2.5	114.1	2.1
	1987	Annual	118.5	3.5	117.4	2.6	117.7	2.8	118.1	3.5
Unemployment Rate										
Actual	**1985**	**IV**		**7.0%**		**7.0%**		**7.0%**		**7.0%**
	1986	I		6.7		7.0		7.1		7.0
		II		6.4		6.9		7.0		6.9
		III		6.2		6.7		6.8		6.8
		IV		6.0		6.6		6.7		6.6
	1987	I		5.8		6.5		6.7		6.7
		II		5.6		6.4		6.7		6.9
		III		5.5		6.4		6.7		7.0
		IV		5.4		6.5		6.8		7.2
	1988	I		5.3				6.9		
Actual	1986	Annual		6.3		6.8		6.9		6.8
	1987	Annual		5.6		6.5		6.7		7.0

Notes: Percentage changes represent compound annual rates of change from preceding period. Quarterly data are seasonally adjusted.

[1] Based on revised (second revision) fourth quarter data

ECONOMIC FORECASTS (continued)

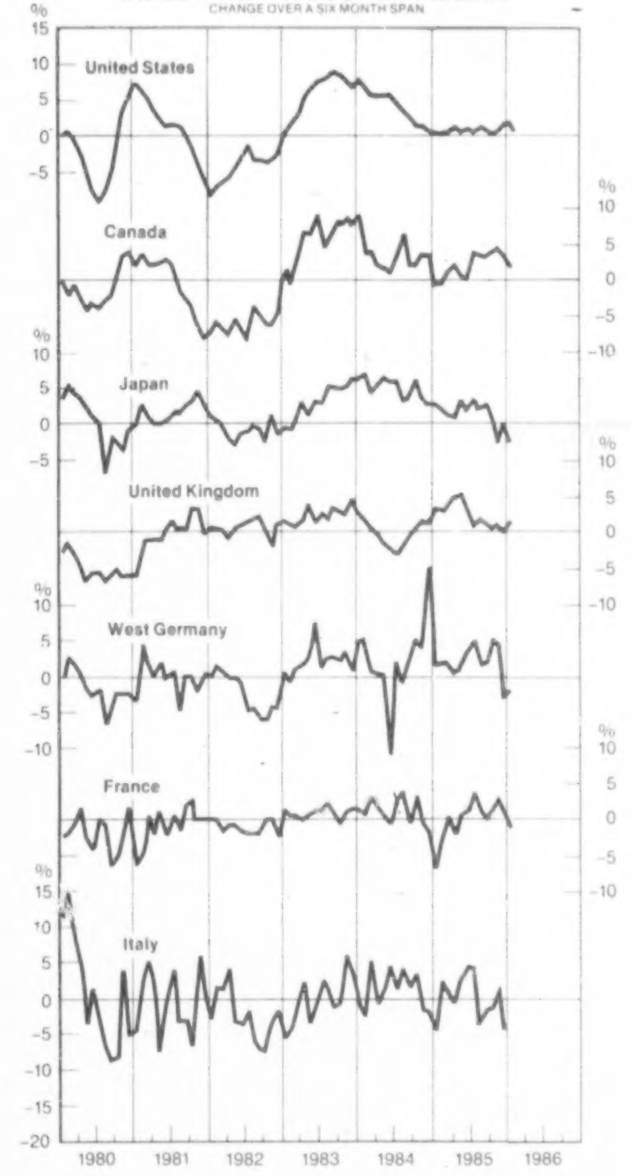
The Conference Board[1]		Chase Econometric[1] Associates, Inc.		Data Resources Inc.[1]		Wharton E.F.A. Inc.[1]				
Mar., 1986		*Mar., 1986*		*Mar., 1986*		*Mar., 1986*		*Date of Forecast*		
Level	*Percent Change*	*Level*	*Percent Change*	*Level*	*Percent Change*	*Level*	*Percent Change*			
								Gross National Product Billions of Current Dollars		
$4059.3	**4.3%**	**$4059.3**	**4.3%**	**$4059.3**	**4.3%**	**$4059.3**	**4.3%**	**IV**	**1985**	**Actual**
4114.0	5.5	4119.4	6.1	4114.0	5.5	4119.2	6.0	I	1986	
4168.0	5.4	4180.5	6.1	4158.2	4.4	4180.8	6.1	II		
4240.0	7.1	4254.1	7.2	4220.7	6.1	4254.0	7.2	III		
4325.0	8.3	4322.1	6.5	4264.6	4.2	4341.0	8.4	IV		
4397.0	6.8	4368.9	6.3	4345.1	7.8	4442.0	9.6	I	1987	
4421.0	2.2	4450.5	5.7	4415.7	6.7	4498.9	5.2	II		
4448.0	2.5	4522.4	6.6	4488.0	6.7	4571.1	6.6	III		
4513.0	6.0	4592.5	6.3	4560.8	6.6	4645.1	6.6	IV		
		4675.2	7.4	4650.1	8.1	4718.2	6.4	I	1988	
4211.8	5.6	4219.0	5.8	4189.4	5.0	4223.8	5.9	Annual	1986	Actual
4444.8	5.5	4488.6	6.4	4452.4	6.3	4539.3	7.5	Annual	1987	
								Gross National Product Billions of Constant (1982) Dollars		
$3590.8	**.7%**	**$3590.8**	**.7%**	**$3590.8**	**.7%**	**$3590.8**	**.7%**	**IV**	**1985**	**Actual**
3618.3	3.1	3622.4	3.6	3615.6	2.8	3618.2	3.1	I	1986	
3643.4	2.8	3649.1	3.0	3643.5	3.1	3651.8	3.8	II		
3680.6	4.1	3692.5	4.8	3679.3	4.0	3690.9	4.4	III		
3719.2	4.3	3715.7	2.5	3695.7	1.8	3740.1	5.4	IV		
3745.3	2.8	3737.3	2.3	3738.6	4.7	3779.7	4.3	I	1987	
3730.8	-1.5	3758.8	2.3	3773.4	3.8	3813.1	3.6	II		
3722.2	- .9	3787.3	3.1	3804.9	3.4	3837.9	2.6	III		
3745.2	2.5	3811.8	2.6	3831.5	2.8	3862.1	2.5	IV		
		3838.0	2.8	3862.4	3.3	3885.1	2.4	I	1988	
3665.4	2.7	3669.9	2.8	3658.5	2.5	3675.3	2.9	Annual	1986	Actual
3735.9	1.9	3773.8	2.8	3787.1	3.5	3823.2	4.0	Annual	1987	
								Gross National Product deflator Index, 1982 = 100		
113.0	**3.5%**	**113.0**	**3.5%**	**113.0**	**3.5%**	**113.0**	**3.5%**	**IV**	**1985**	**Actual**
113.7	2.3	113.7	2.4	113.8	2.6	113.8	2.9	I	1986	
114.4	2.5	114.6	3.0	114.1	1.2	114.5	2.3	II		
115.2	2.8	115.2	2.3	114.7	2.1	115.3	2.7	III		
116.3	3.8	116.3	3.9	115.4	2.4	116.1	2.8	IV		
117.4	3.9	117.4	3.9	116.2	2.9	117.5	5.1	I	1987	
118.5	3.8	118.4	3.3	117.3	2.7	118.0	1.6	II		
119.5	3.4	119.4	3.4	118.0	3.2	119.1	3.8	III		
120.5	3.4	120.5	3.6	119.0	3.7	120.3	4.0	IV		
		121.8	4.5	120.4	4.6	121.4	3.9	I	1988	
114.9	2.8	115.0	2.9	114.5	2.5	114.9	2.9	Annual	1986	Actual
119.0	3.5	118.9	3.5	117.6	2.7	118.7	3.3	Annual	1987	
								Unemployment Rate		
	7.0%		**7.0%**		**7.0%**		**7.0%**	**IV**	**1985**	**Actual**
	7.1		7.0		7.0		7.0	I	1986	
	7.1		6.9		6.8		7.0	II		
	6.9		6.7		6.7		6.7	III		
	6.7		6.5		6.7		6.6	IV		
	6.9		6.4		6.6		6.4	I	1987	
	7.2		6.3		6.5		6.3	II		
	7.6		6.3		6.4		6.3	III		
	7.7		6.3		6.4		6.3	IV		
			6.2		6.3		6.5	I	1988	
	7.0		6.8		6.8		6.8	Annual	1986	Actual
	7.4		6.3		6.4		6.3	Annual	1987	

Please Note: In the interest of speeding the data contained in this publication to you, these series are available on-line through The Conference Board Data Base. For more information, contact Linette Stein Waters or Ken Goldstein at (212) 759-0900.

SELECTED INTERNATIONAL COMPARISONS

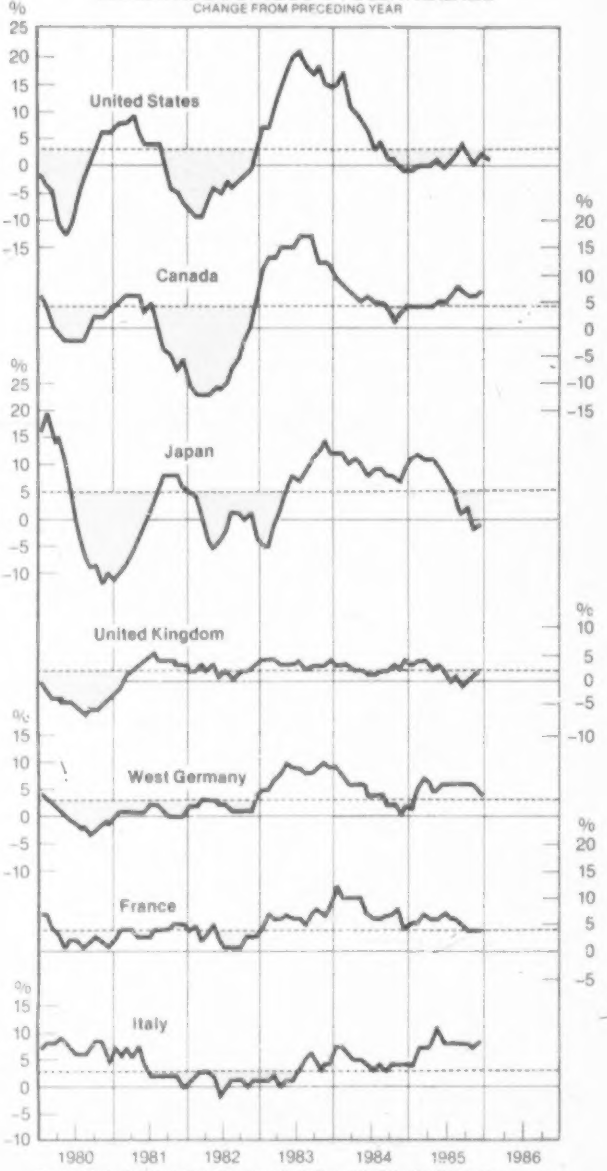
INDUSTRIAL PRODUCTION INDEXES

CHANGE OVER A SIX MONTH SPAN



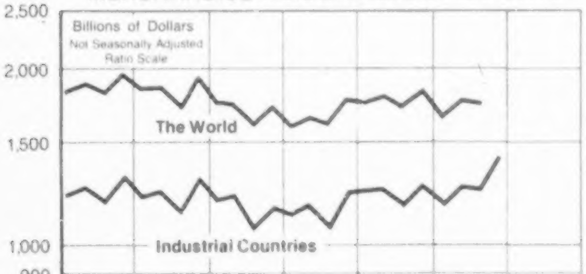
LEADING BUSINESS CYCLE INDEXES

CHANGE FROM PRECEDING YEAR

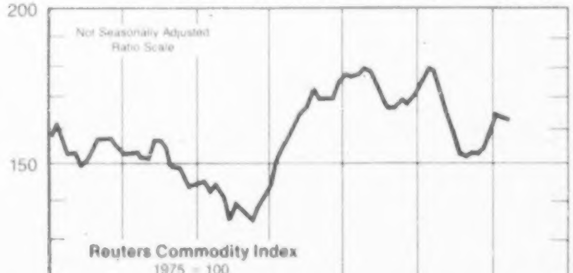


Source: Center for International Business Cycle Research, Columbia University

MERCHANDISE TRADE: VALUE OF EXPORTS

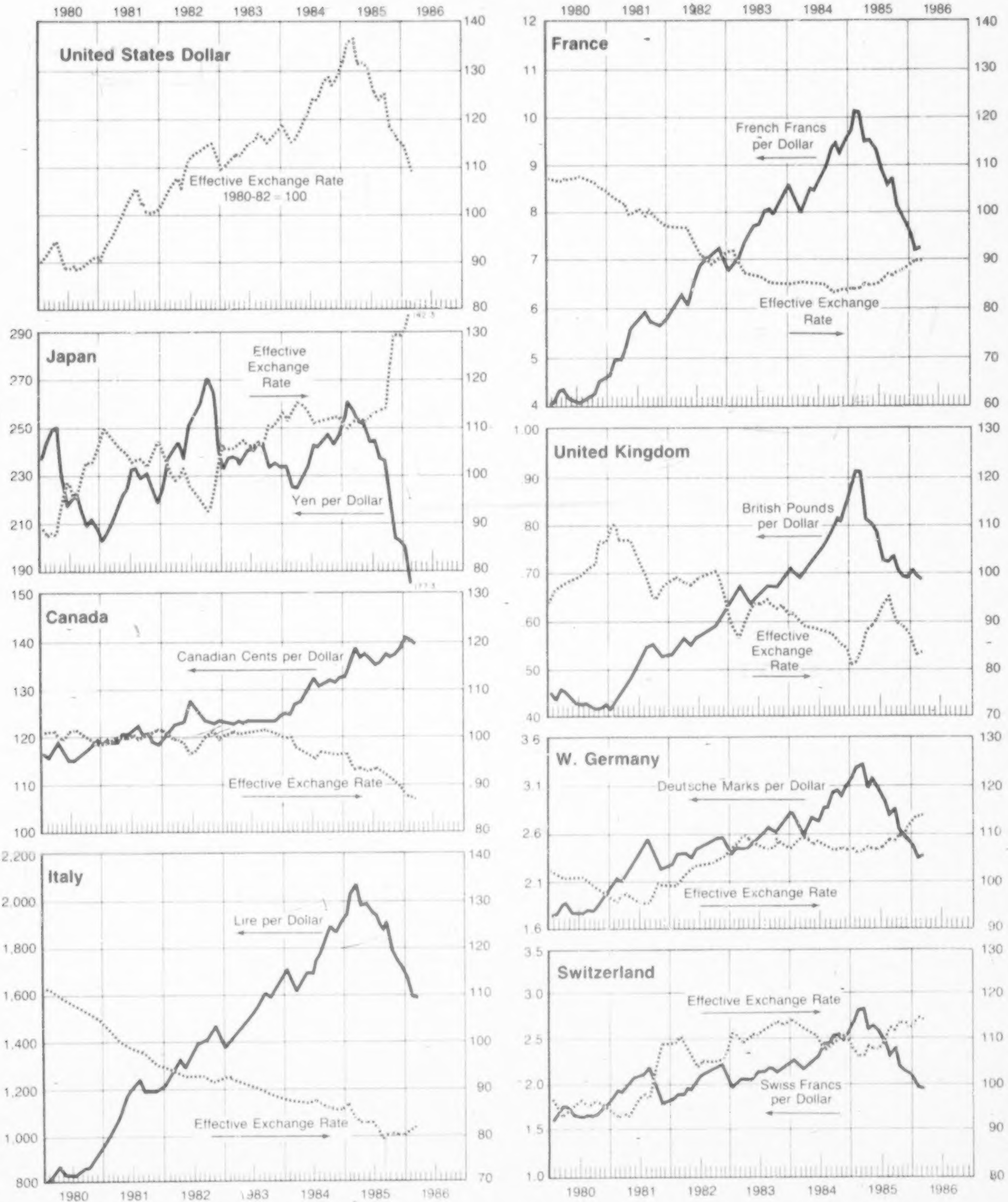


RAW MATERIALS PRICES



Foreign Exchange Rates

Indexes: 1980-82 = 100



Note: Nominal Effective Exchange Rates: Index numbers 1980-82 = 100. Each index shows a currency's trade-using averages weighted appreciation or depreciation measured against fifteen other major currencies of daily noon spot exchange rates in New York and bilateral trade weights based on 1980 trade in manufactures.

Source: Morgan Guaranty Trust Co.

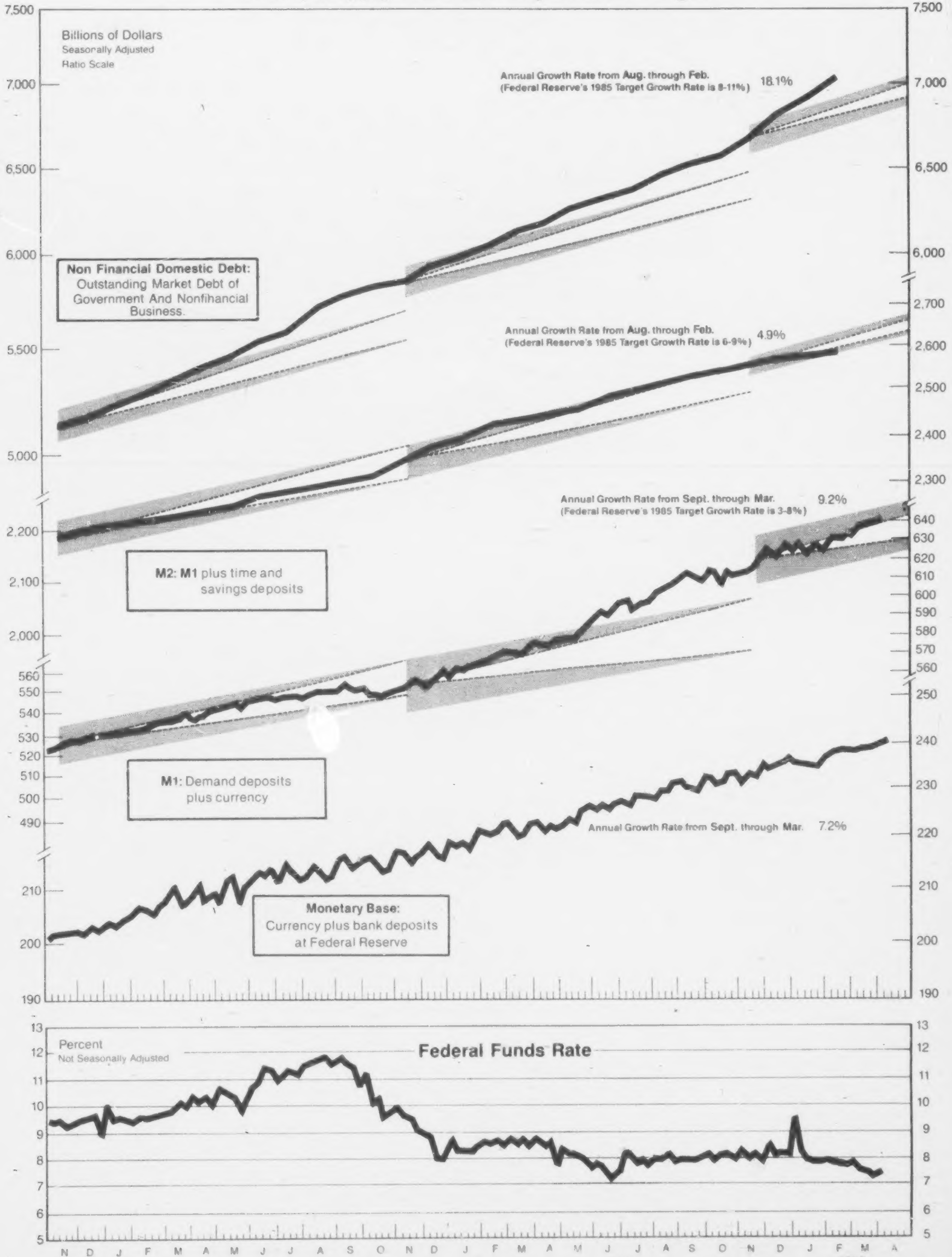
PERSPECTIVE ON THE FEDERAL BUDGET
(Billions of Current Dollars)

	Fiscal 1986		Fiscal 1987		Fiscal 1988	
	Administration's Latest Estimate	Congress's Latest Estimate	Administration's Latest Estimate	Congress's Latest Estimte	Administration's Latest Estimate	Congress's Latest Estimate
	(2/5/86)	(2/26/86)	(2/5/86)	(2/26/86)	(2/5/86)	(2/26/86)
Receipts	**$ 777.1**	**$ 778.7**	**$ 850.4**	**$ 849.9**	**$ 933.2**	**$ 928.1**
Outlays	**979.9**	**983.5**	**994.0**	**1,009.7**	**1,026.8**	**1,060.3**
Deficit	**-202.8**	**-204.7**	**-143.6**	**-159.7**	**- 93.6**	**-132.3**
Receipts by source	**$777.1**	**$778.7**	**$850.4**	**$849.9**	**$933.2**	**$928.1**
Individual income	353.7	354.2	386.0	385.0	425.9	422.0
Social security	280.4	280.8	302.8	302.3	335.0	333.5
Corporate income	70.9	72.2	86.7	89.4	101.2	101.2
Other receipts	72.1	71.5	74.9	73.2	71.1	71.4
Outlays by function	**$979.9**	**$983.5**	**$994.0**	**$1,009.7**	**$1,026.8**	**$1,060.3**
National defense	265.8	269.5	282.2	296.7	299.1	316.6
Social security	268.8	267.9	282.4	282.2	302.1	303.1
Income security	118.1	119.6	118.4	119.5	123.1	123.7
Health	35.7	35.6	35.0	35.1	36.7	36.8
Veterans benefits	26.6	26.7	26.4	26.5	26.9	26.9
Education & manpower	30.7	30.8	27.4	27.3	26.3	26.5
Transportation	27.1	27.5	25.5	25.6	24.1	24.3
Agriculture	25.9	30.4	19.5	21.9	19.7	23.5
International affairs	17.1	17.1	18.6	16.5	18.3	17.5
Natural resources	12.9	12.8	12.0	12.0	11.8	11.9
General science	8.9	8.9	9.2	9.1	9.3	9.4
Justice	6.8	6.8	6.9	7.1	7.0	7.2
General government	6.3	6.0	6.1	6.2	5.7	6.4
Community development	7.9	7.9	6.5	6.3	5.5	5.4
Commerce, Housing credit	3.8	4.2	1.4	3.1	3.8	4.3
Energy	4.4	4.2	4.0	4.4	4.5	4.1
Revenue sharing	6.2	5.8	1.7	1.7	1.8	1.8
Interest	142.7	139.8	148.0	144.7	145.1	152.7
Allowances	0.0	0.0	0.7	0.7	2.3	2.3
Offsetting receipts	-35.2	-37.7	-38.1	-36.8	-46.4	-44.2

ECONOMIC ASSUMPTIONS OF THE BUDGET

GNP						
Current Dollar	**$4,274.0**	**$4,269.0**	**$4,629.0**	**$4,583.0**	**$4,995.0**	**$4,930.0**
Constant (1982) Dollar	**3,695.0**	**3,688.0**	**3,842.0**	**3,803.0**	**3,996.0**	**3,928.0**
Percent change in						
Current dollar	7.0%	6.9%	8.3%	7.3%	7.9%	7.6%
Constant (1982) dollar	3.4	3.2	4.0	3.1	4.0	3.3
Implicit price index	3.5	3.6	4.2	4.1	3.7	4.1
Consumer price index	3.5	3.4	4.1	4.2	3.7	4.4
91-Day T bill rate	7.3	6.8	6.5	6.7	5.6	6.4
Unemployment rate	6.7	6.7	6.5	6.7	6.3	6.5

Money Supply and Monetary Growth Targets



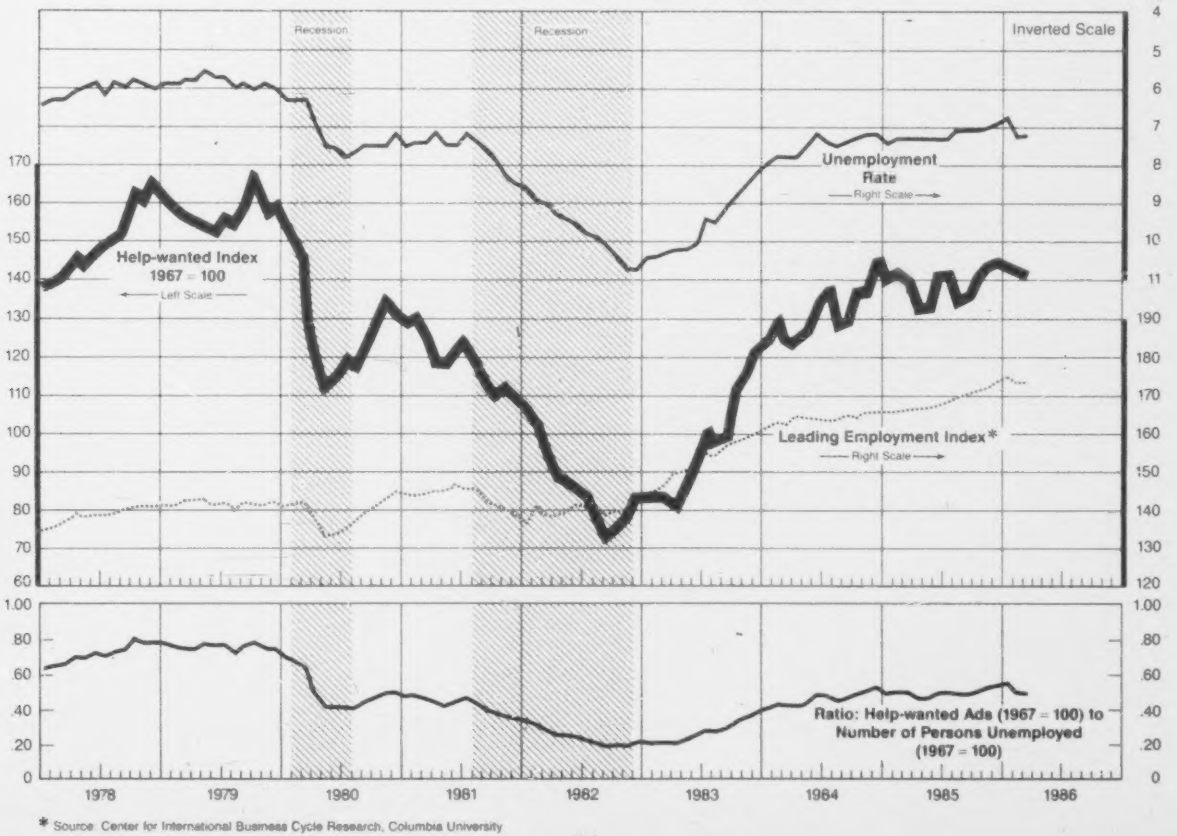
CONFERENCE BOARD HELP-WANTED ADVERTISING INDEXES

Seasonally Adjusted Indexes, 1967 = 100

	1986		1985	
Locality	**Feb.**	**Jan.**	**Dec.**	**Feb.**
National Index	142	143r	145	141
New England	157	156	156	151
Boston	169	162	159	166
Hartford	154	169	164	149
Providence	117	125	136	102
Middle Atlantic	74	73	74	66
Albany	169	173	162	142
Allentown	207	196	209	177
New York	58	56	53	53
Philadelphia	62	64	73	58
Pittsburgh	87	83	88	68
Rochester	92	91	96	89
Syracuse	130	118	122	105
East North Central	92	90	96	88
Chicago	93	91	104	100
Cincinnati	148	163	133	127
Cleveland	63	60	65	61
Columbus	155	158	161	136
Dayton	82	84	90	73
Detroit	73	67	72	63
Gary	117	123	117	106
Indianapolis	93	88	102	85
Milwaukee	60	55	62	56
Toledo	139	130	128	112
West North Central	101	93	90	90
Kansas City	199	160	141	123
Minneapolis	71	71	79	81
Omaha	112	117	109	112
St. Louis	70	69	67	72
South Atlantic	193	191	194	189
Atlanta	294	287	289	300
Baltimore	214	219	223	210
Charlotte	154	161	149	149
Jacksonville	204	211	230	182
Miami	86	83	76	77
Richmond	133	128	128	126
Washington, D.C.	188	188	190	183
East South Central	164	170	154	137
Birmingham	176	173	172	140
Knoxville	202	212	204	194
Louisville	85	99	102	90
Memphis	153	128	114	100
Nashville	236	275	211	200
West South Central	206	221	253	264
Dallas	270	302	421	377
Houston	251	264	273	323
New Orleans	102	101	108	116
Oklahoma City	119	130	125	133
San Antonio	183	196	165	218
Tulsa	137	148	157	147
Mountain	306	316	323	327
Denver	194	206	205	230
Phoenix	455	458	463	470
Salt Lake City	313	330	354	313
Pacific	211	212r	201	207
Los Angeles	158	156	148	158
Sacramento	380	399	376	340
San Bernadino	245	244r	231	228
San Diego	474	485	461	475
San Francisco	198	203	191	202
Seattle	199	199	189	178
Percentage of papers with rising volume	45	49	67	41
Unemployment rate	7.3	6.7	6.9	7.3

Note: For definitions and method, see Noreen Preston, *The Help-wanted Index* (New York: The Conference Board, 1977).
r—revised N.A.—not available

Help-wanted Advertising and Unemployment



* Source: Center for International Business Cycle Research, Columbia University

CONFERENCE BOARD INDEXES OF CONSUMER CONFIDENCE AND BUYING PLANS

Indexes, 1985 = 100
(Seasonally Adjusted)

Consumer Confidence Index

	Jan.	Feb.	Mar.	Apr.	May	June	July	Aug.	Sept.	Oct.	Nov.	Dec.
1983	59.8	70.1	81.2	81.8	85.9	87.0	87.8	89.9	92.2	93.5	96.7	104.9
1984	16.8	17.6	24.0	29.3	32.3	103.7	98.5	101.6	102.4	101.7	106.1	98.7
1985	103.0	104.0	98.0	101.0	96.6	100.0	101.2	99.6	98.9	99.3	98.7	98.8
1986	97.8	96.9r	96.7p									

Buying Plans Index

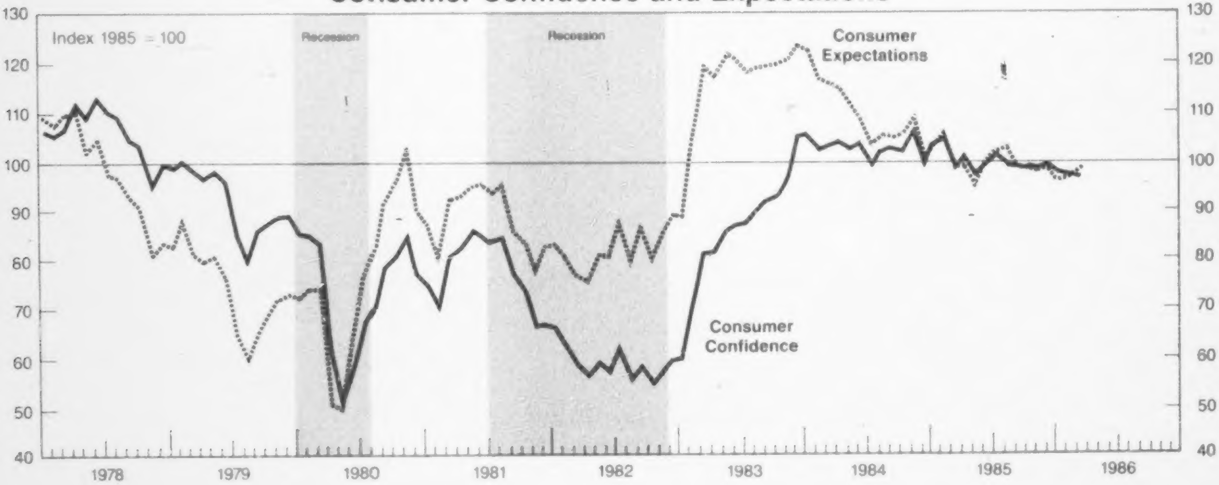
	Jan.	Feb.	Mar.	Apr.	May	June	July	Aug.	Sept.	Oct.	Nov.	Dec.
1983	71.7	71.1	77.5	85.6	84.7	89.0	94.4	85.0	101.6	102.2	99.2	99.3
1984	99.2	98.0	90.7	98.6	102.5	104.9	89.5	95.5	83.5	92.7	96.0	91.9
1985	100.7	98.7	98.4	97.4	89.5	96.3	93.1	98.4	107.3	110.3	101.2	108.8
1986	105.6	103.9r	100.8p									

Confidence Index measures consumer optimism in appraising economic conditions. Buying plans Index is based on intentions to purchase cars, homes, appliances. Expectations Index, (charted below), measures consumer attitudes with regard to business conditions and employment and income levels six months hence. Data prior to May, 1981 based on survey of families. Data after May, 1981 are based on survey of households. A description of these indexes appears in The Conference Board RECORD, September, 1973.

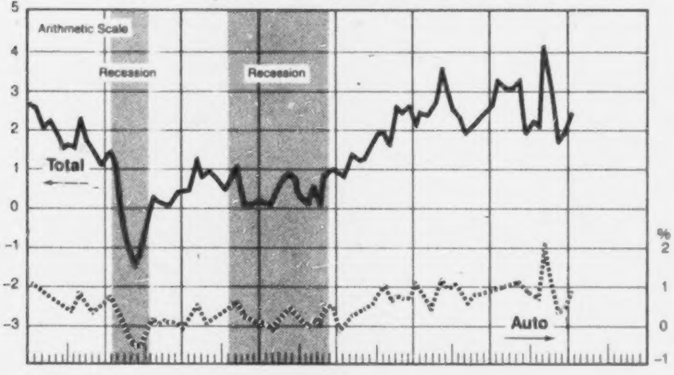
Surveys are conducted by National Family Opinion, Inc.

p—preliminary r—revised

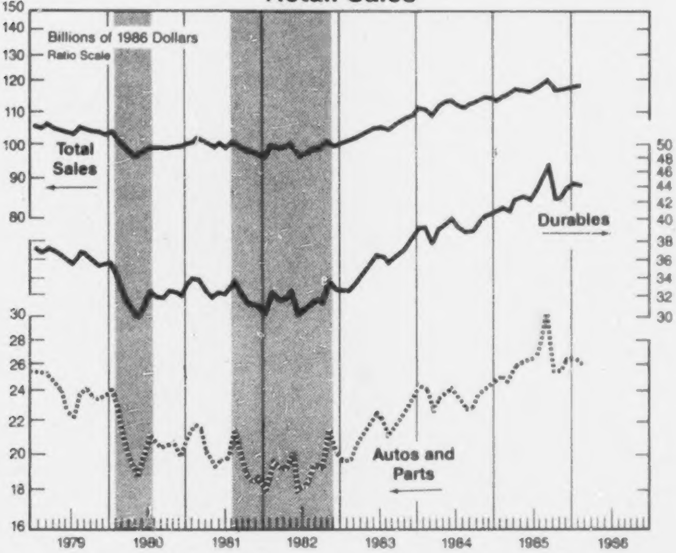
Consumer Confidence and Expectations



Consumer Installment Debt Expansion ÷ Personal Income



Retail Sales



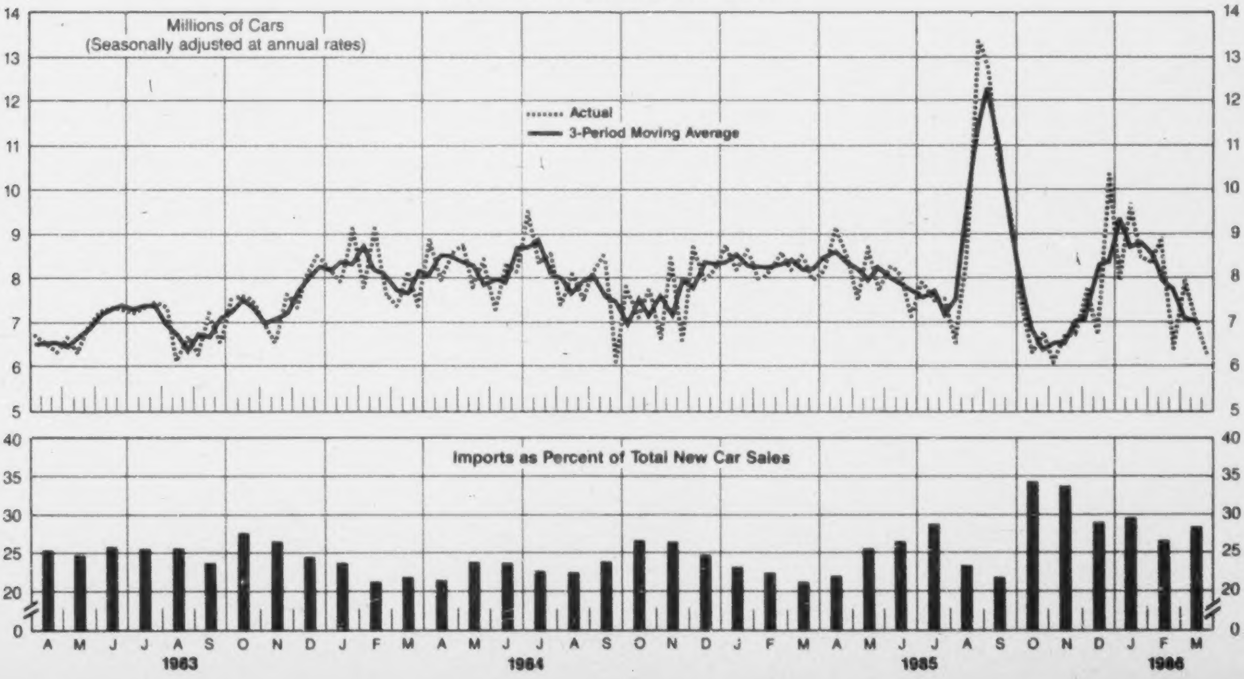
CONFERENCE BOARD ESTIMATES OF NEW AUTO SALES, BY 10-DAY PERIODS

Millions, Seasonally Adjusted at Annual Rate

Periods		1983	1984	1985	1986
January:	1-10	6.17	8.16	8.69	7.97
	11-20	6.20	7.84	8.15	9.63
	21-31	5.60	9.15	8.62	8.40
February:	1-10	5.86	7.79	7.97	8.32
	11-20	5.30	9.17	8.04	8.93
	21-28(29)	6.07	7.60	8.58	6.38
March:	1-10	5.61	7.35	8.14	7.81
	11-20	6.10	8.13	8.44	6.99
	21-31	6.19	7.35	7.94	6.24
April:	1-10	6.69	8.88	8.16	
	11-20	6.52	7.96	9.12	
	21-30	6.35	8.60	8.46	
May:	1-10	6.67	8.75	7.45	
	11-20	6.30	7.74	8.69	
	21-31	6.97	8.43	7.70	
June:	1-10	7.23	7.22	8.21	
	11-20	7.34	8.25	8.02	
	21-30	7.28	8.10	7.16	
July:	1-10	7.25	9.51	7.89	
	11-20	7.36	8.32	7.47	
	21-31	7.43	8.59	7.53	
August:	1-10	7.39	7.33	6.47	
	11-20	6.11	8.07	8.39	
	21-31	6.65	7.43	13.29	
September:	1-10	6.26	8.13	12.76	
	11-20	7.21	8.52	10.63	
	21-30	6.55	6.03	9.49	
October:	1-10	7.52	7.83	7.44	
	11-20	7.56	7.07	6.27	
	21-31	7.45	7.70	6.75	
November:	1-10	6.96	6.60	6.04	
	11-20	6.55	8.44	6.66	
	21-30	7.62	6.57	6.70	
December:	1-10	7.30	8.75	7.72	
	11-20	8.09	7.96	6.74	
	21-31	8.48	8.19	10.38	

Note: Dealer sales exclude exports and foreign-model cars (unless manufactured domestically.) Data from Ward's Automotive Reports are seasonally adjusted by The Conference Board. Prior data available upon request.

Domestic-Model Car Sales



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STATISTICAL BULLETIN

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Acquisitions
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Bethesda, MD 20814

Volume 19, No. 5, May, 1986

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The Conference Board
70th Anniversary

THE CONFERENCE BOARD'S STATISTICAL BULLETIN COMMENTARY

- NEW ORDERS REMAIN SLUGGISH
- INDUSTRIAL ACTIVITY NOT IMPROVING
- COMMODITY PRICES CONTINUE TO FALL
- AND THE LABOR MARKET HAS COOLED OFF
- BUT MANUFACTURING EXPORTS ARE RISING
- HOME SALES SURGE
- OUTLOOK * SECOND QUARTER STARTED OFF SLOWLY BUT FORECASTS STILL EXPECT GROWTH TO ACCELERATE THIS SUMMER

OVERVIEW: Economic growth is reasonably vigorous at the moment and the outlook is for some further quickening. Real GNP grew at a seasonally adjusted 3.2% annual rate in the first quarter. The median of the **Economic Forecasts** is for a 3.4% rise in the second quarter, speeding up to a quite strong 4.7% rise in the third quarter. Strong fiscal stimulus and money growth, lower interest rates and lower energy prices are all factors built into that bullish outlook.

Economic growth, however, is now concentrated in a few sectors. Most notably, the financial market has been active for some time now. Growth in service industries has remained vigorous over the last year and a half. Now, exports of manufactured goods have begun to pick up a bit. And construction activity, after a brief respite, may be rebounding.

Prospects for accelerated growth hinge on whether the industrial core of the economy can break out of its doldrums. Rosy **Economic Forecasts** imply that it will, but there is scant evidence of any factory revival developing.

Still, even with stagnant conditions in manufacturing, this economy is growing at a reasonably good clip. And renewed industrial expansion could push the growth rate from about 3% to a very rapid 5% pace—unusually strong for a 4-year old expansion. But, as mentioned above, the degree of stimulus available at this late date is also highly unusual.

DOMESTIC MARKET MONITOR

Labor-market activity, after a brief spurt late in 1985, has quieted down. Job gains over the last 3 months have been concentrated in retail trade, finance and business services. Construction jobs, after falling for 2 months, recovered in April. But employment has declined a bit in transportation and utilities and in nondurable manufacturing. Job losses in transportation equipment, primary metals and electric machinery resulted in a sharp decline for durable manufacturing as a whole.

Labor-market conditions may not improve much over the next few months. The Conference Board's **Help-wanted Index** stood at 138 (1967 = 100) in March, down from 145 only 3 months earlier. And early returns to the April survey suggest that this measure of labor demand may have suffered a loss of about 5 points that month. A rise in home sales may spur a faster pace of construction, and hiring. Elsewhere there are few signs of any pickup in labor demand.

Income gains have been reasonably strong, although unevenly distributed. And there is some indication that income growth could slow a bit. Wages in commodity-producing industries were 0.7% lower in April than 3 months earlier. Wages in other industries were 6.5% higher. Most of the employment gain in April, however, was in low-paying jobs taken by teenagers, which could slow the pace of wage increases.

Nonwage income was 3.1% higher in April—despite falling farm and interest income. Rents, dividends and shopkeepers income have continued to rise sharply. Those gains, however, go to those in the upper income-brackets—people more interested in investing in financial instruments than in buying goods.

Consumer borrowing remains subdued. Since interest-rate declines have not extended to revolving credit rates, consumers are using charge cards with discretion. That's another reason why sales of furniture and appliances have been weak. Car sales slumped until the discount-rate promotions were sweetened. Consumers already have a great deal of debt and are exercising caution about adding to those obligations.

Consumer attitudes have remained very fixed over the last year and a half. In April, however, The Conference Board's **Buying Plans Index** shot up. That counterbalances some of the evidence about debt-wariness. It may also indicate that consumers aren't troubled by concern over a potential slowing of income growth.

Ken Goldstein, Editor

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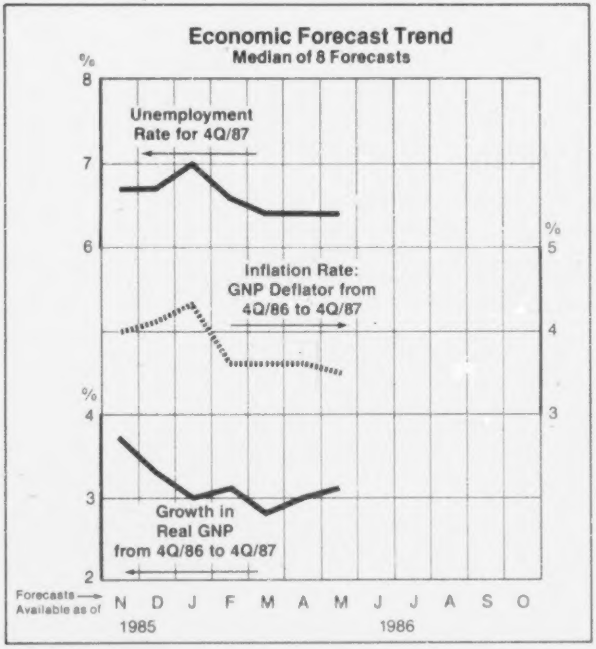


Growth in consumer spending has kept pace with the rise in income. Retail sales, minus autos, were 2% higher in March than 3 months earlier. That gain more than offset a 4.4% decline in autos and parts. Then domestic **Automobile Sales** picked up to a seasonally adjusted 7.8 million annual rate in April, compared with a 7 million rate in March. But nonauto spending slowed in April. Nonretail spending, such as service buying, has been running a little better than the figures on store-buying.

Total housing starts fell in March and February. A 27% rise in new, single-family home sales in March, however, may spur renewed building activity. In fact, construction employment rose in April. Nonresidential construction has also begun to grow more slowly. But in light of declining capacity utilization and high vacancy rates in office buildings, that trend may not turn around right away.

Declines in manufacturing employment and hours in April suggest that industrial production remains sluggish. Output of consumer goods declined in March for the third month; business equipment declined for the second month and material output is also falling. Lower output levels are leaving some plant and equipment idle. Total capacity utilization dropped to 79.4% in March, from 80.7% in January. Durable manufacturing declined by 2% in the last 2 months. The fall was concentrated in auto production—due to slow sales—and primary metals—due a lack of new orders.

With so few new orders, manufacturers have little incentive to speed up production and hire workers. Defense material and machinery orders account for most of the recent gains. But durable-goods orders were 2.3% lower in March than 3 months earlier. Capital goods were 11.6% lower. Primary metals were 3.7% lower. The decline in metal orders is contributing to a sharp slide in metal prices.

INVENTORY: The only inventory accumulation in recent months has been car lots filling as sales slowed. Prices and discount-loan offers were sweetened on selected models, and production cut back. Those moves, plus a gain in sales in April, probably helped reduce car inventory.

PRICES: Lower prices for food, energy and some industrial materials are helping to pare the already low inflation rate. Prices paid to farmers were 9% lower in April than one year ago. Crude oil prices firmed a bit in April, though lower oil prices are still flowing through to the wholesale and retail levels. Industrial metal prices fell 5.7% in April, following a 6.1% decline in March.

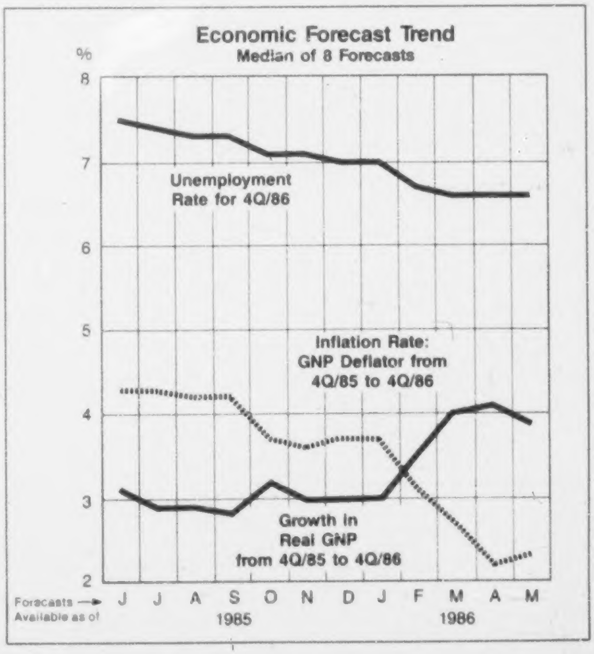
INTERNATIONAL MONITOR

The big rise in the trade deficit made headlines in April. But the rise in manufacturing exports was probably the more important development.

Sharply higher shipments of transportation equipment helped raise total manufactured imports by 13.9% in April. Importers may have been trying to ship material before changes in exchange rates result in price hikes.

Industrial output would have been even lower if exports of manufactured products were not 18.8% higher in March than 3 months earlier. Electrical machinery was 33% higher; chemicals were 20% higher and transportation equipment was 15% higher.

Ken Goldstein
May 8, 1986

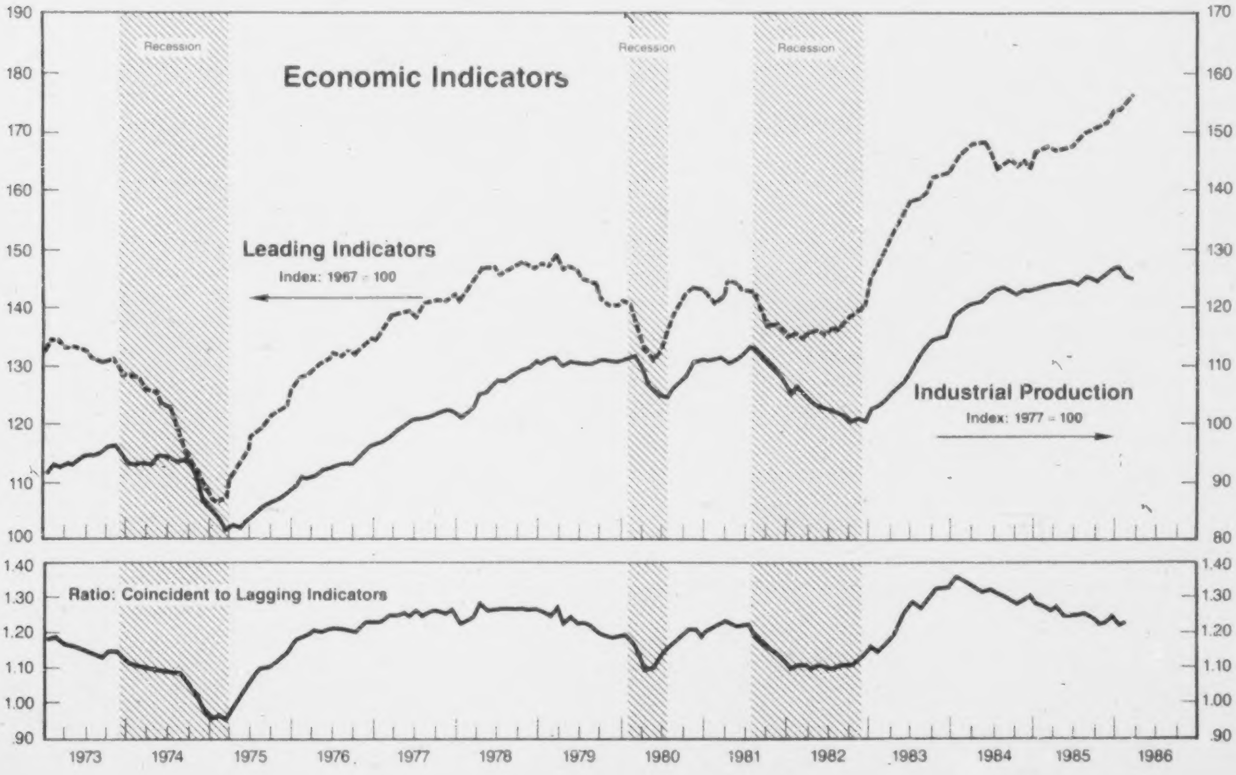


STATUS OF LEADING ECONOMIC INDICATORS

		Rising	Level	Declining	Change over latest three months	Change From Year-Ago
		(Classification based on movement of series over several months)				
Leading Economic Indicators	Mar.	X			+ 1.4%	+ 5.4%
Capital Investment Commitments						
*Contracts and orders, plant & equipment (deflated)	Mar.			X	– 8.0%	– 3.4%
New orders, nondefense capital goods (deflated)	Mar.			X	– 6.5%	0.5%
*New business formation	Mar.	X			5.1%	3.8%
*Housing permits	Mar.		X		– 0.9%	6.6%
Inventory Investment and Purchasing						
*New orders, consumer goods & materials (deflated)	Mar.			X	– 2.9%	1.6%
*Change in inventory, on hand & order (deflated)	Feb.	X			15.6%	5.1%
Purchasing agents' buying policy	Apr.		X		– 1.0%	– 5.0%
*Vendor performance, reported slower deliveries	Apr.	X			4.0%	6.0%
Industrial raw materials prices	Apr.			X	– 7.7%	–14.5%
*Change in sensitive material prices	Mar.		X		– 0.3%	0.4%
Sensitive Financial Flows						
*Money balance (M2 deflated)	Mar.	X			1.4%	4.3%
Change in business loans	Mar.			X	–20.5%	– 8.4%
*Change in credit outstanding	Mar.			X	– 5.9%	– 8.1%
Change in consumer installment debt	Feb.			X	– 8.0%	–22.5%
Profitability						
Total corporate profits, after tax (deflated)	4th Q	X			3.4%	2.0%
*Common stock prices	Apr.	X			14.3%	31.8%
Marginal Employment Adjustments						
*Average workweek, mfg.	Apr.		X		– 0.4hr	0.4hr
*Initial unemployment claims (inverted)	Mar.		X		– 0.5%	– 1.0%

Note: For a description of the Leading Indicators Composite Index see Bureau of Economic Analysis, *Handbook of Cyclical Indicators*, (Washington. D.C.: Government Printing Office) June, 1977.

*These twelve series make up the Composite Leading Index charted below.



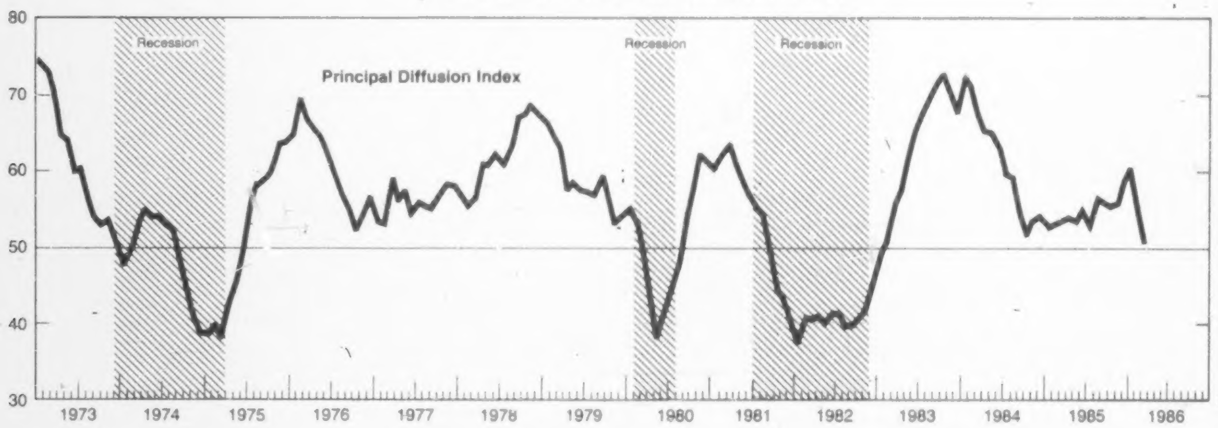
CONFERENCE BOARD DIFFUSION INDEXES

	1985		1986		
DIFFUSION INDEXES	Mar.	Dec.	Jan.	Feb.	Mar. (e)
Principal Diffusion Index	53.8	58.1r	60.5r	55.4r	50.6
Auxillary Diffusion Index	54.3	59.8r	57.8r	33.4r	34.6
Industrial Group	50.6	58.5r	61.3r	52.0r	47.9
Nonindustrial Group	56.9	57.6r	59.7r	58.8r	53.4
Sense of Diffusion					
SUBGROUP DIFFUSION INDEXES					
Industrial Subgroups					
Production	43.6	61.5r	67.5r	57.3r	52.6
Labor	59.0	63.2r	61.8r	52.4r	49.9
Miscellaneous	40.4	42.3	50.6	42.9	35.9
Nonindustrial Subgroups					
Prices	33.3	54.5	54.5	54.5	54.5
Consumer	78.6	67.9	73.1r	67.9r	63.2
Building	63.5	50.0	49.7	49.4r	41.3
Miscellaneous	46.6	54.5r	56.4r	58.8r	50.9

Note: The principal diffusion index reflects the frequency of rises in 20 component series over the 12-month period ending in the month indicated. The index is based on the direction of change, not the magnitude of change, from month to month. Each component series carries equal weight in the index, but the direction of recent changes is weighted more heavily than are earlier changes. If, for example, 10 component series rose and 10 declined in each of the last 12 months, the current index would be higher than 50 because the data over the latest six-month period are weighted more heavily than data from the earlier six-month period. On the other hand, if all 20 series rose in each of the last six months, after declining in each of the prior six months, weighting would make the current index considerably greater than 50. See Morton Ehrlich, "Using The Conference Board's Diffusion Indexes," The Conference Board *RECORD*, July, 1966.

e-estimate r-revised

The Conference Board Diffusion Index



BUSINESS EXECUTIVES' EXPECTATIONS

	1983		*1984*				*1985*				*1986*
	Aug.	*Nov.*	*Feb.*	*May*	*Aug.*	*Nov.*	*Feb.*	*May*	*Aug.*	*Nov.*	*Feb.*
	Score (scale 0-100)										
Measure of Business Confidence	75	74	70	65	61	57	61	52	51	55	61
1. Appraisal of Current Economic Conditions Compared With Six Months Ago	82	80	76	75	70	57	62	48	45	53	63
2. Expectations for Economy, Six Months Ahead	74	73	67	60	57	57	61	53	53	56	62
3. Expectations for Own Industry, Six Months Ahead	69	70	67	61	57	58	61	55	54	56	59

The Measure of Business Confidence is the average of the scores for the three primary questions in the survey. Respondents have five reply options for each question; a score for each question is determined by assigning the following values to the replies and calculating the average value of the replies to the question: Substantially Better—100; Moderately Better—75; Same—50; Moderately Worse—25; Substantially Worse—0. The score for each question,and the overall Measure of Business Confidence, thus can range from 0 to 100.

CONFERENCE BOARD ESTIMATES OF CAPITAL APPROPRIATIONS AND EXPENDITURES BY MANUFACTURERS AND INVESTOR-OWNED UTILITIES

Billions of Dollars, Seasonally Adjusted

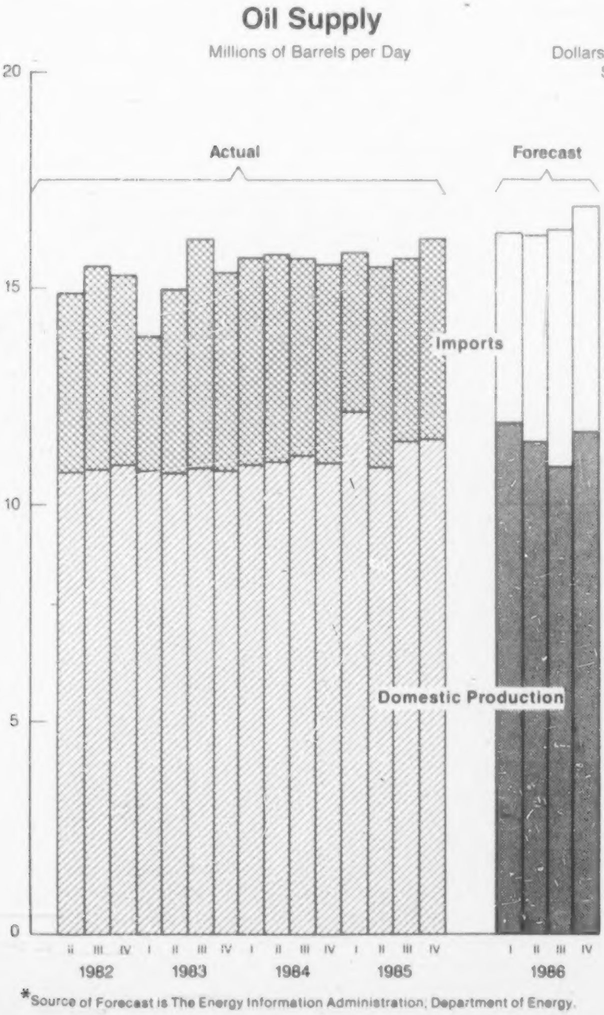
	1984			1985				Percent Change From Previous Year	
	II	III	IV	I	II	IIIr	IVp	1985p Actual	1986 Estimate
1000 LARGEST MANUFACTURING FIRMS									
New appropriations	34.123	27.309	29.100	29.938	27.560	24.167	27.499	− 7	4
Capital expenditures	21.739	23.034	24.587	23.354	24.911	24.730	26.643	11	8
Change in appropriations backlog*	+10.715	+2.885	+2.302	+4.984	+0.529	−2.702	−2.139		
Durable Goods									
New appropriations	18.702	12.742	15.072	16.737	10.910	12.031	12.452	− 13	0
Capital expenditures	10.041	11.101	12.223	11.648	12.814	12.299	12.802	16	5
Change in appropriations backlog*	+ 8.212	+1.107	+1.797	+4.154	−2.515	−1.094	−2.734		
Nondurable Goods									
New appropriations	15.421	14.567	14.028	13.201	16.650	12.136	15.047	− 2	8
Capital expenditures	11.698	11.933	12.364	11.706	12.097	12.431	13.841	6	10
Change in appropriations backlog*	+2.503	+1.778	+0.505	+0.830	+3.044	−1.608	+0.595		
ELECTRIC & GAS UTILITIES									
New appropriations	7.839r	9.863r	11.554r	9.066	15.509r	5.516p			
Capital expenditures	9.016r	9.212r	9.337r	8.828	9.156r	9.047p			
Change in appropriations backlog*	− 2.897r	− 1.607r	− 3.147r	+0.106	+4.809r	−5.496p			

Available on request: Historical data from 1953 (manufacturing) and from 1958 (utilities), and quarterly reports containing text and data for 17 separate manufacturing industries, electric and gas utilities.

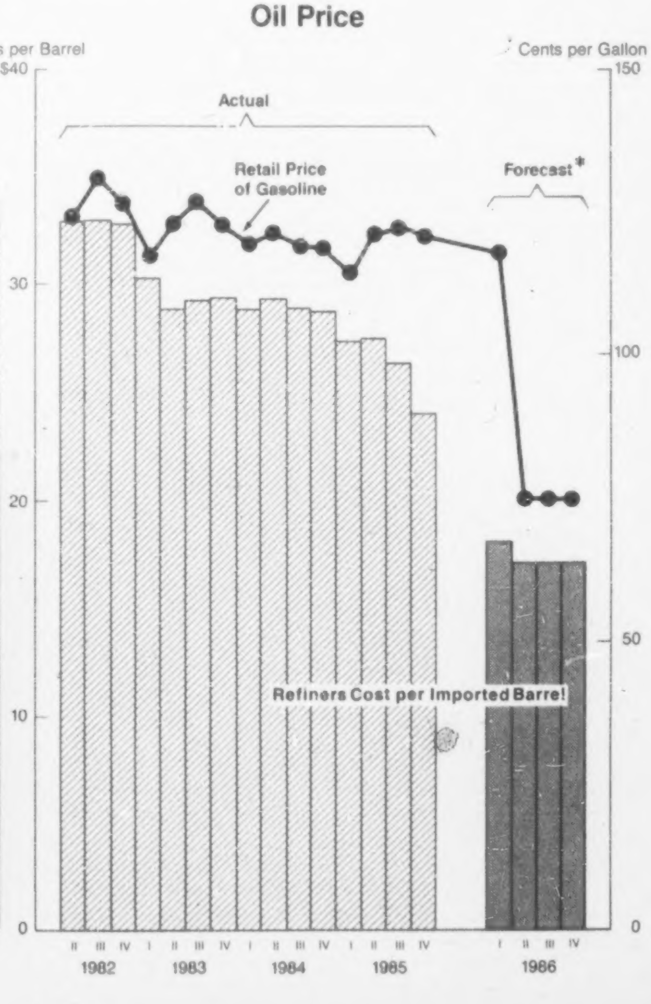
r—revised p—preliminary

* Change in Backlog = New Appropriations − (Expenditures + Cancellations + Other Adjustments)

Oil Supply



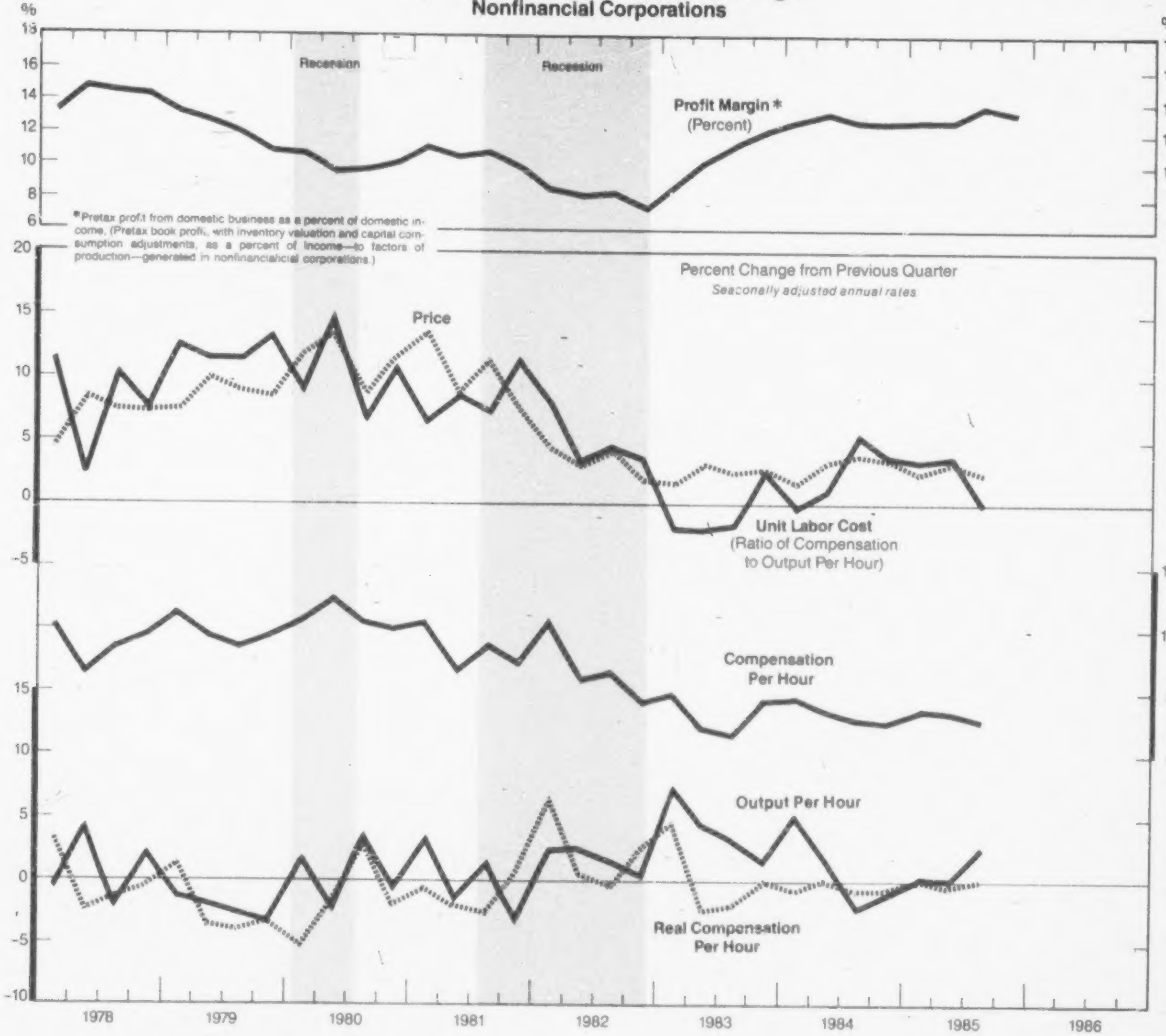
Oil Price



*Source of Forecast is The Energy Information Administration, Department of Energy.

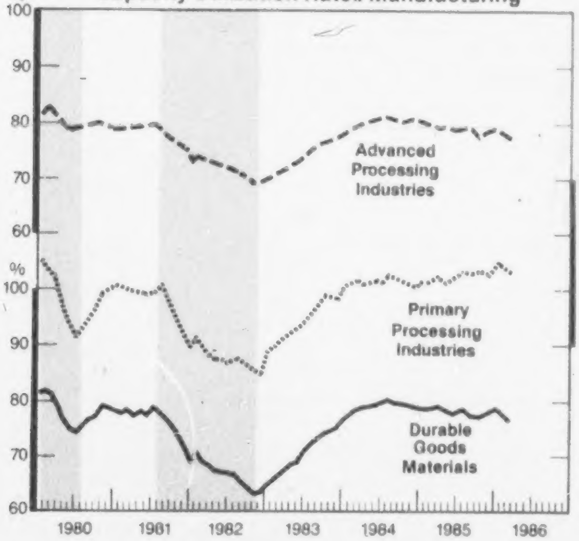
Key Determinants of Profit Margin

Nonfinancial Corporations

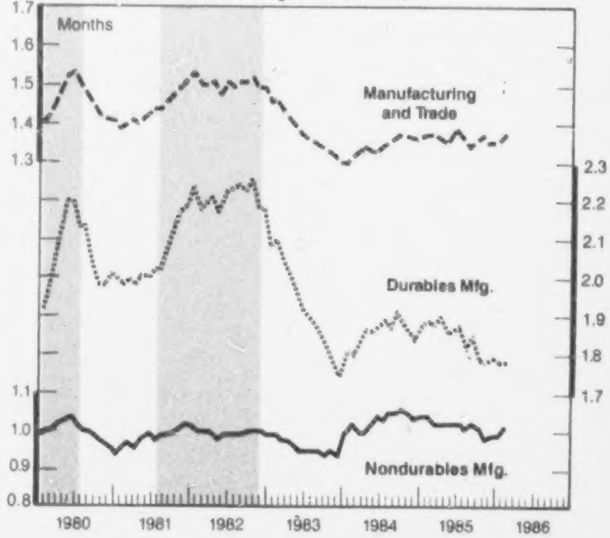


*Pretax profit from domestic business as a percent of domestic income. (Pretax book profit, with inventory valuation and capital consumption adjustments, as a percent of income—to factors of production—generated in nonfinancialcial corporations.)

Capacity Utilization Rates Manufacturing



Inventory-Sales Ratios



ECONOMIC FORECASTS

			U.C.L.A.[1] Business Forecasting Project		Merrill Lynch[1] Economics Inc.		E.I. duPont[2] de Nemours & Co.		Georgia State University[2]	
Date of Forecast			*Mar., 1986*		*Mar., 1986*		*Apr., 1986*		*Apr., 1986*	
			Level	***Percent Change***	*Level*	***Percent Change***	*Level*	***Percent Change***	*Level*	***Percent Change***
Gross National Product Billions of Current Dollars										
Actual	**1986**	**I**					**$4116.7**	**5.8%**	**$4116.7**	**5.8%**
		II	$4201.6	**6.5%**	$4173.6	**6.2%**	4166.7	**4.9**	4161.9	**4.5**
		III	4277.2	**7.4**	4239.9	**6.5**	4262.3	**9.5**	4240.9	**7.8**
		IV	4343.1	**6.3**	4313.9	**7.2**	4355.5	**9.0**	4315.0	**7.2**
	1987	I	4437.3	**9.0**	4384.2	**6.7**	4418.2	**5.9**	4384.7	**6.6**
		II	4526.7	**8.3**	4457.5	**6.9**	4489.9	**6.7**	4439.7	**5.1**
		III	4623.9	**8.9**	4533.7	**7.0**	4561.3	**6.5**	4511.8	**6.7**
		IV	4736.2	**10.1**	4607.9	**6.7**	4627.6	**5.9**	4540.3	**2.6**
	1988	I	4853.3	**10.3**			4691.7	**5.7**	4598.3	**5.2**
		II					4747.7	**4.9**		
Actual	1986	Annual	4239.4	**6.3**	4209.6	**5.5**	4225.3	**5.9**	4208.6	**5.5**
	1987	Annual	4581.0	**8.1**	4495.8	**6.3**	4524.3	**7.1**	4469.1	**6.2**
Gross National Product Billions of Constant (1982) Dollars										
Actual	**1986**	**I**					**$3619.2**	**3.2%**	**$3619.2**	**3.2%**
		II	$3680.3	**5.0%**	$3651.8	**3.8%**	3655.0	**4.0**	3653.1	**3.8**
		III	3729.1	**5.4**	3697.1	**5.1**	3716.0	**6.8**	3696.9	**4.9**
		IV	3766.7	**4.1**	3745.6	**5.4**	3771.0	**6.1**	3726.8	**3.3**
	1987	I	3807.9	**4.4**	3782.5	**4.0**	3799.0	**3.0**	3745.2	**2.0**
		II	3843.2	**3.6**	3818.1	**3.8**	3831.0	**3.4**	3753.6	**.9**
		III	3880.0	**3.9**	3845.4	**2.9**	3859.0	**3.0**	3777.4	**2.6**
		IV	3924.8	**4.7**	3870.5	**2.6**	3879.0	**2.1**	3759.8	**-1.9**
	1988	I	3951.0	**2.7**			3900.0	**2.2**	3764.4	**.5**
		II					3914.0	**1.4**		
Actual	1986	Annual	3703.1	**3.7**	3678.1	**3.0**	3690.3	**3.4**	3674.0	**2.9**
	1987	Annual	3864.0	**4.3**	3829.1	**4.1**	3842.0	**4.1**	3759.0	**2.3**
Gross National Product deflator Index, 1982 = 100										
Actual	**1986**	**I**					**113.7**	**2.5%**	**113.7**	**2.5%**
		II	114.2	**1.5%**	114.3	**2.3%**	114.0	**.9**	113.9	**.6**
		III	114.7	**1.9**	114.7	**1.4**	114.7	**2.5**	114.7	**2.8**
		IV	115.3	**2.1**	115.2	**1.7**	115.5	**2.8**	115.8	**3.8**
	1987	I	116.5	**4.3**	115.9	**2.6**	116.3	**2.8**	117.1	**4.5**
		II	117.8	**4.4**	116.7	**2.9**	117.2	**3.1**	118.3	**4.2**
		III	119.2	**4.8**	117.9	**4.0**	118.2	**3.5**	119.4	**4.0**
		IV	120.7	**5.1**	119.1	**4.0**	119.3	**3.8**	120.8	**4.5**
	1988	I	122.8	**7.4**			120.3	**3.4**	122.2	**4.7**
		II					121.3	**3.4**		
Actual	1986	Annual	114.5	**2.5**	114.4	**2.4**	114.5	**2.5**	114.5	**2.5**
	1987	Annual	118.5	**3.5**	117.4	**2.6**	117.7	**2.8**	118.9	**3.8**
Unemployment Rate										
Actual	**1986**	**I**		7.1%		7.1%		7.1%		7.1%
		II		6.4		6.9		6.9		7.0
		III		6.2		6.7		6.7		6.8
		IV		5.0		6.6		6.6		6.6
	1987	I		5.8		6.5		6.6		6.7
		II		5.6		6.4		6.7		6.8
		III		5.5		6.4		6.8		7.0
		IV		5.4		6.5		6.9		7.2
	1988	I		5.3				7.0		7.2
		II						7.1		
Actual	1986	Annual		6.4		6.8		6.8		6.9
	1987	Annual		5.6		6.5		6.8		6.9

Notes: Percentage changes represent compound annual rates of change from preceding period. Quarterly data are seasonally adjusted.

[1] Based on revised (second revision) fourth quarter data.

[2] Based on prelimary first quarter data.

ECONOMIC FORECASTS (continued)

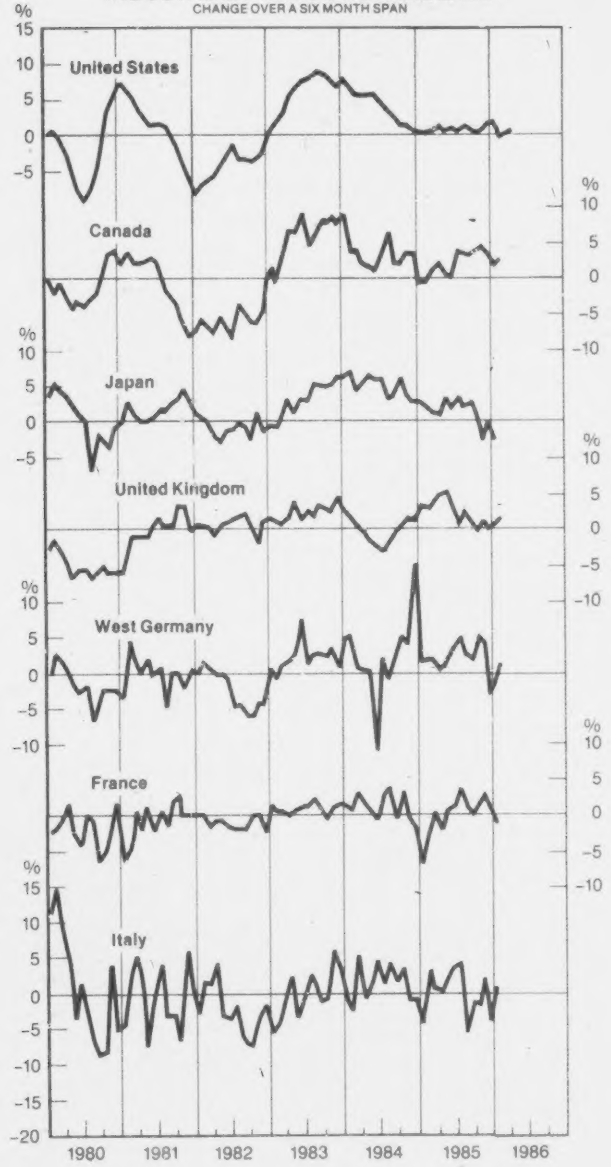
The Conference Board[1]		Chase Econometric[2] Associates, Inc.		Data Resources Inc.[2]		Wharton E.F.A. Inc.[2]				
Mar., 1986		*Apr., 1986*		*Apr., 1986*		*Apr., 1986*		*Date of Forecast*		
Level	*Percent Change*	*Level*	*Percent Change*	*Level*	*Percent Change*	*Level*	*Percent Change*			
								Gross National Product Billions of Current Dollars		
		$4116.7	**5.8%**	**$4116.7**	**5.8%**	**$4116.7**	**5.8%**	**I**	**1986**	**Actual**
$4168.0	5.4%	4155.0	3.8	4147.8	3.1	4169.0	5.2	II		
4240.0	7.1	4227.9	7.2	4208.9	6.0	4240.6	7.0	III		
4325.0	8.3	4306.6	7.7	4250.8	4.0	4328.8	8.6	IV		
4397.0	6.8	4388.2	7.8	4322.9	7.0	4419.1	8.6	I	1987	
4421.0	2.2	4451.8	5.9	4399.4	7.3	4498.1	7.3	II		
4448.0	2.5	4529.3	7.1	4477.4	7.3	4573.9	6.9	III		
4513.0	6.0	4600.0	6.4	4555.4	7.2	4647.8	6.6	IV		
		4670.6	6.3	4638.1	7.5	4722.8	6.6	I	1988	
		4735.7	5.7	4710.6	6.4	4800.4	6.7	II		
4211.8	5.6	4201.6	5.3	4181.1	4.8	4213.8	5.6	Annual	1986	Actual
4444.8	5.5	4492.3	6.9	4438.8	6.2	4534.7	7.6	Annual	1987	
								Gross National Product Billions of Constant (1982) Dollars		
		$3619.2	**3.2%**	**$3619.2**	**3.2%**	**$3619.2**	**3.2%**	**I**	**1986**	**Actual**
$3643.4	2.8%	3631.9	1.4	3642.9	2.6	3645.8	2.9	II		
3680.6	4.1	3671.3	4.4	3674.8	3.5	3684.1	4.3	III		
3719.2	4.3	3708.7	4.1	3693.0	2.0	3733.6	5.5	IV		
3745.3	2.8	3736.9	3.1	3728.1	3.9	3780.6	5.1	I	1987	
3730.8	−1.5	3760.2	2.5	3769.9	4.6	3818.4	4.1	II		
3722.2	− .9	3789.4	3.1	3804.7	3.7	3848.2	3.2	III		
3745.2	2.5	3812.0	2.4	3838.6	3.6	3876.3	3.0	IV		
		3834.7	2.4	3864.5	2.7	3901.1	2.6	I	1988	
		3858.3	2.5	3888.5	2.5	3922.9	2.3	II		
3665.4	2.7	3657.8	2.5	3657.5	2.4	3670.5	2.8	Annual	1986	Actual
3735.9	1.9	3774.6	3.2	3785.3	3.5	3830.9	4.4	Annual	1987	
								Gross National Product deflator Index, 1982 = 100		
		113.7	**2.5%**	**113.7**	**2.5%**	**113.7**	**2.5%**	**I**	**1986**	**Actual**
114.4	2.5	114.4	2.3	113.9	.4	114.4	2.2	II		
115.2	2.8	115.2	2.7	114.5	2.4	115.1	2.6	III		
116.3	3.8	116.1	3.4	115.1	2.0	115.9	2.9	IV		
117.4	3.9	117.4	4.6	116.0	3.0	116.9	3.3	I	1987	
118.5	3.8	118.4	3.3	116.7	2.6	117.8	3.2	II		
119.5	3.4	119.5	3.9	117.7	3.4	118.9	3.6	III		
120.5	3.4	120.7	3.9	118.7	3.4	119.9	3.6	IV		
		121.8	3.8	120.0	4.6	121.1	3.9	I	1988	
		122.7	3.1	121.1	3.8	122.4	4.4	II		
114.9	2.8	114.9	2.6	114.3	2.3	114.8	2.7	Annual	1986	Actual
119.0	3.5	119.0	3.6	117.3	2.6	118.4	3.1	Annual	1987	
								Unemployment Rate		
	7.1%		7.1%		7.1%		7.1%	**I**	**1986**	**Actual**
	7.1		7.0		7.0		7.0	II		
	6.9		6.8		6.9		6.7	III		
	6.7		6.5		6.8		6.6	IV		
	6.9		6.4		6.7		6.4	I	1987	
	7.2		6.3		6.6		6.3	II		
	7.6		6.2		6.5		6.3	III		
	7.7		6.2		6.3		6.4	IV		
			6.2		6.2		6.5	I	1988	
			6.1		6.2		6.7	II		
	7.0		6.9		6.9		6.8	Annual	1986	Actual
	7.4		6.3		6.5		6.3	Annual	1987	

Please Note: In the interest of speeding the data contained in this publication to you, these series are available on-line through The Conference Board Data Base. For more information, contact Linette Stein Waters or Ken Goldstein at (212) 759-0900.

SELECTED INTERNATIONAL COMPARISONS

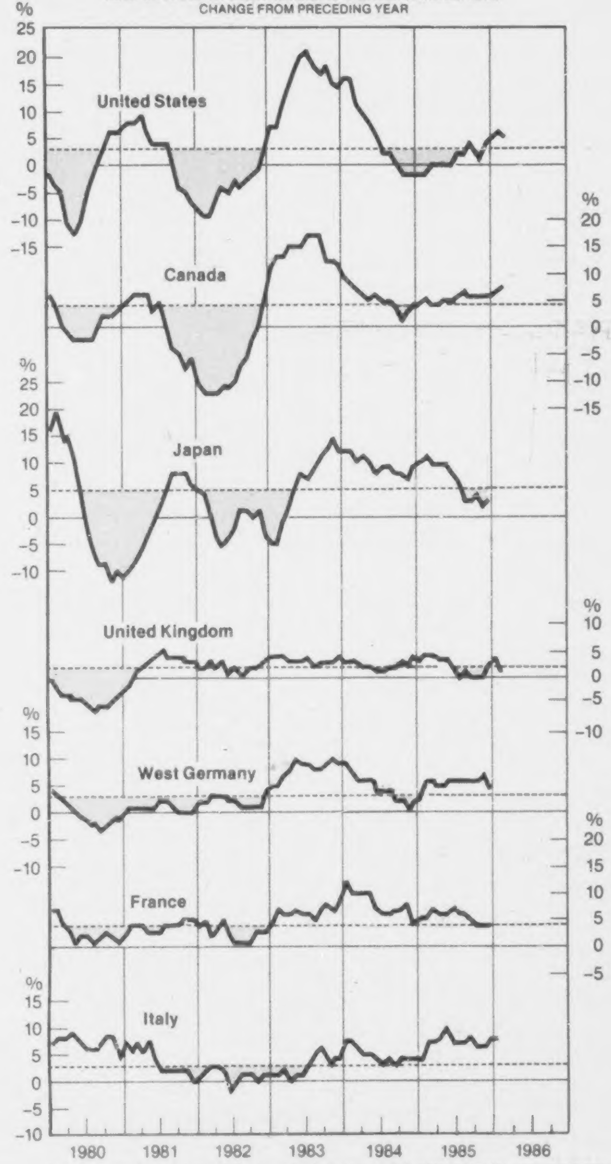
INDUSTRIAL PRODUCTION INDEXES

CHANGE OVER A SIX MONTH SPAN



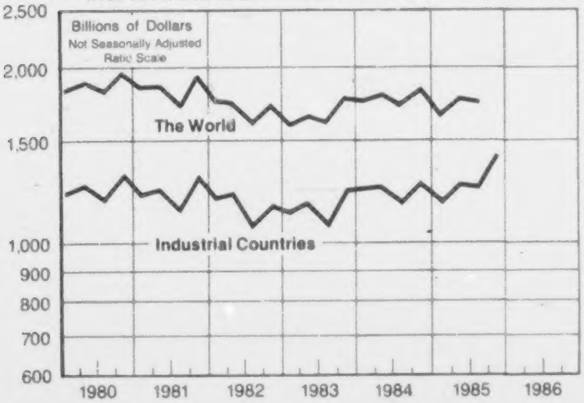
LEADING BUSINESS CYCLE INDEXES

CHANGE FROM PRECEDING YEAR

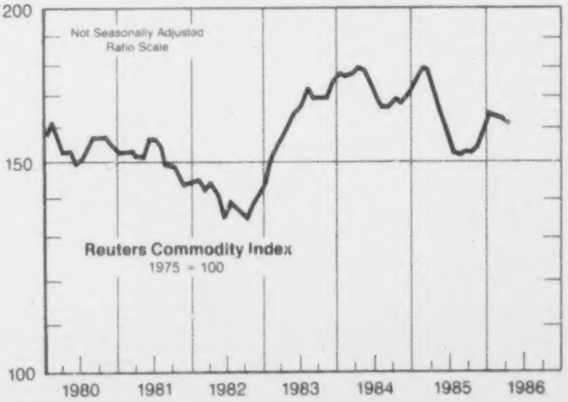


Source: Center for International Business Cycle Research, Columbia University

MERCHANDISE TRADE: VALUE OF EXPORTS

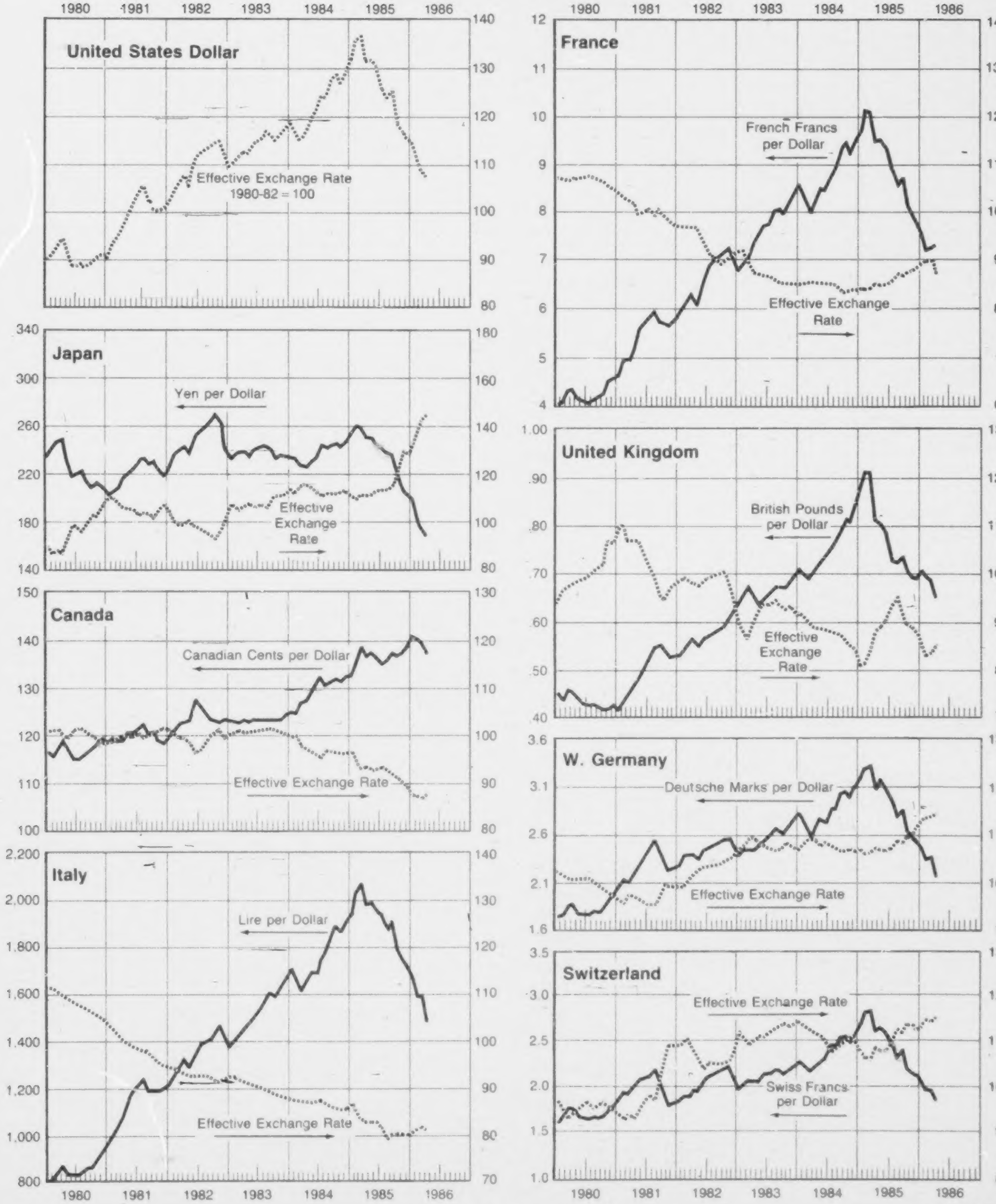


RAW MATERIALS PRICES



Foreign Exchange Rates

Indexes: 1980-82 = 100



Note: Nominal Effective Exchange Rates. Index numbers 1980-82 = 100. Each index shows a currency's trade- using averages weighted appreciation or depreciation measured against fifteen other major currencies of daily noon spot exchange rates in New York and bilateral trade weights based on 1980 trade in manufactures.

Source: Morgan Guaranty Trust Co.

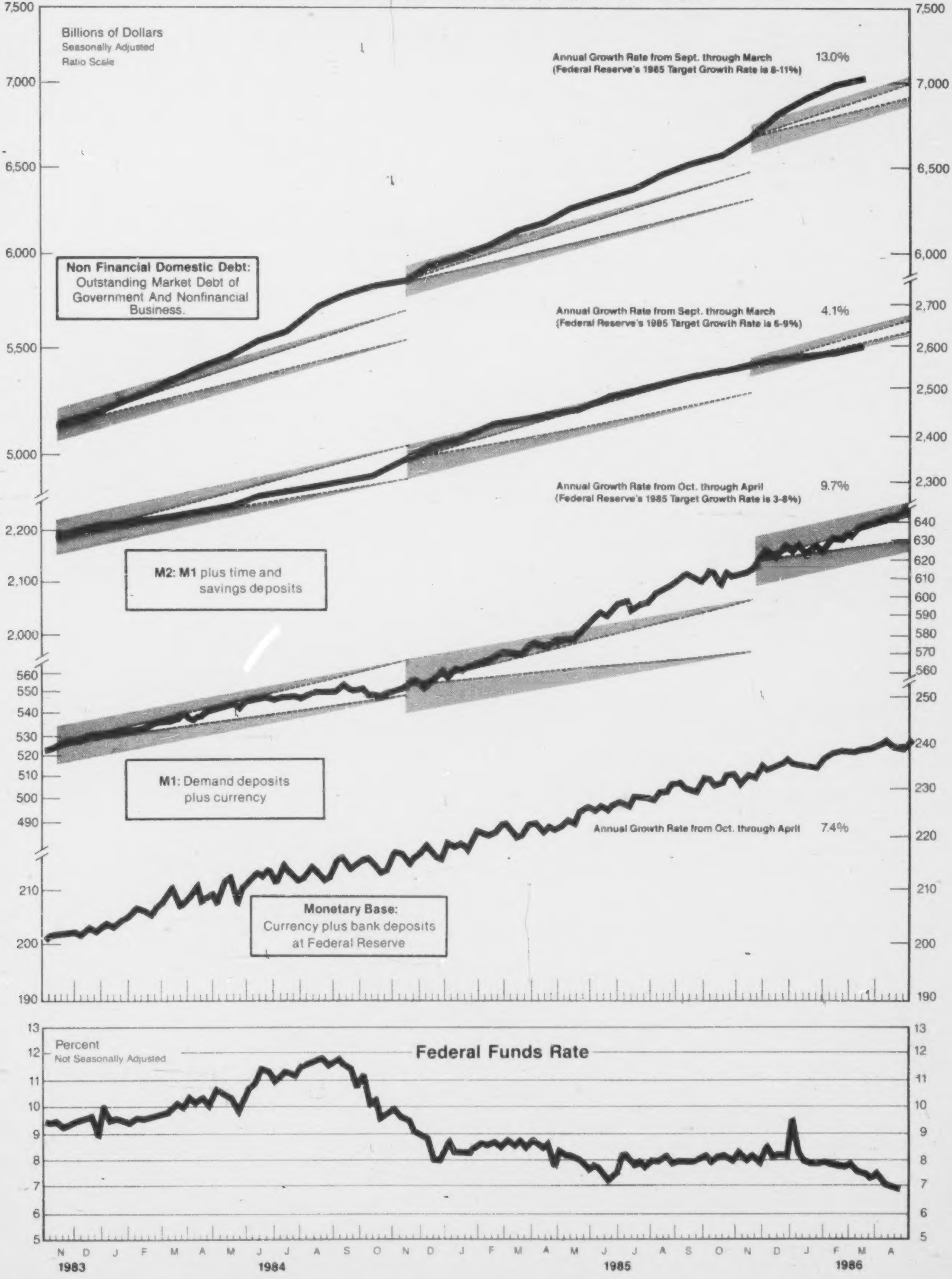
PERSPECTIVE ON THE FEDERAL BUDGET
(Billions of Current Dollars)

	Fiscal 1986		Fiscal 1987		Fiscal 1988	
	Administration's Latest Estimate	Congress's Latest Estimate	Administration's Latest Estimate	Congress's Latest Estimte	Administration's Latest Estimate	Congress's Latest Estimate
	(2/5/86)	(2/26/86)	(2/5/86)	(2/26/86)	(2/5/86)	(2/26/86)
Receipts	**$ 777.1**	**$ 778.7**	**$ 850.4**	**$ 849.9**	**$ 933.2**	**$ 928.1**
Outlays	**979.9**	**983.5**	**994.0**	**1,009.7**	**1,026.8**	**1,060.3**
Deficit	**-202.8**	**-204.7**	**-143.6**	**-159.7**	**- 93.6**	**-132.3**
Receipts by source	**$777.1**	**$778.7**	**$850.4**	**$849.9**	**$933.2**	**$928.1**
Individual income	353.7	354.2	386.0	385.0	425.9	422.0
Social security	280.4	280.8	302.8	302.3	335.0	333.5
Corporate income	70.9	72.2	86.7	89.4	101.2	101.2
Other receipts	72.1	71.5	74.9	73.2	71.1	71.4
Outlays by function	**$979.9**	**$983.5**	**$994.0**	**$1,009.7**	**$1,026.8**	**$1,060.3**
National defense	265.8	269.5	282.2	296.7	299.1	316.6
Social security	268.8	267.9	282.4	282.2	302.1	303.1
Income security	118.1	119.6	118.4	119.5	123.1	123.7
Health	35.7	35.6	35.0	35.1	36.7	36.8
Veterans benefits	26.6	26.7	26.4	26.5	26.9	26.9
Education & manpower	30.7	30.8	27.4	27.3	26.3	26.5
Transportation	27.1	27.5	25.5	25.6	24.1	24.3
Agriculture	25.9	30.4	19.5	21.9	19.7	23.5
International affairs	17.1	17.1	18.6	16.5	18.3	17.5
Natural resources	12.9	12.8	12.0	12.0	11.8	11.9
General science	8.9	8.9	9.2	9.1	9.3	9.4
Justice	6.8	6.8	6.9	7.1	7.0	7.2
General government	6.3	6.0	6.1	6.2	5.7	6.4
Community development	7.9	7.9	6.5	6.3	5.5	5.4
Commerce, Housing credit	3.8	4.2	1.4	3.1	3.8	4.3
Energy	4.4	4.2	4.0	4.4	4.5	4.1
Revenue sharing	6.2	5.8	1.7	1.7	1.8	1.8
Interest	142.7	139.8	148.0	144.7	145.1	152.7
Allowances	0.0	0.0	0.7	0.7	2.3	2.3
Offsetting receipts	-35.2	-37.7	-38.1	-36.8	-46.4	-44.2

ECONOMIC ASSUMPTIONS OF THE BUDGET

GNP						
Current Dollar	**$4,274.0**	**$4,269.0**	**$4,629.0**	**$4,583.0**	**$4,995.0**	**$4.930.0**
Constant (1982) Dollar	**3,695.0**	**3,688.0**	**3,842.0**	**3,803.0**	**3,996.0**	**3,928.0**
Percent change in						
Current dollar	7.0%	6.9%	8.3%	7.3%	7.9%	7.6%
Constant (1982) dollar	3.4	3.2	4.0	3.1	4.0	3.3
Implicit price index	3.5	3.6	4.2	4.1	3.7	4.1
Consumer price index	3.5	3.4	4.1	4.2	3.7	4.4
91-Day T bill rate	7.3	6.8	6.5	6.7	5.6	6.4
Unemployment rate	6.7	6.7	6.5	6.7	6.3	6.5

Money Supply and Monetary Growth Targets



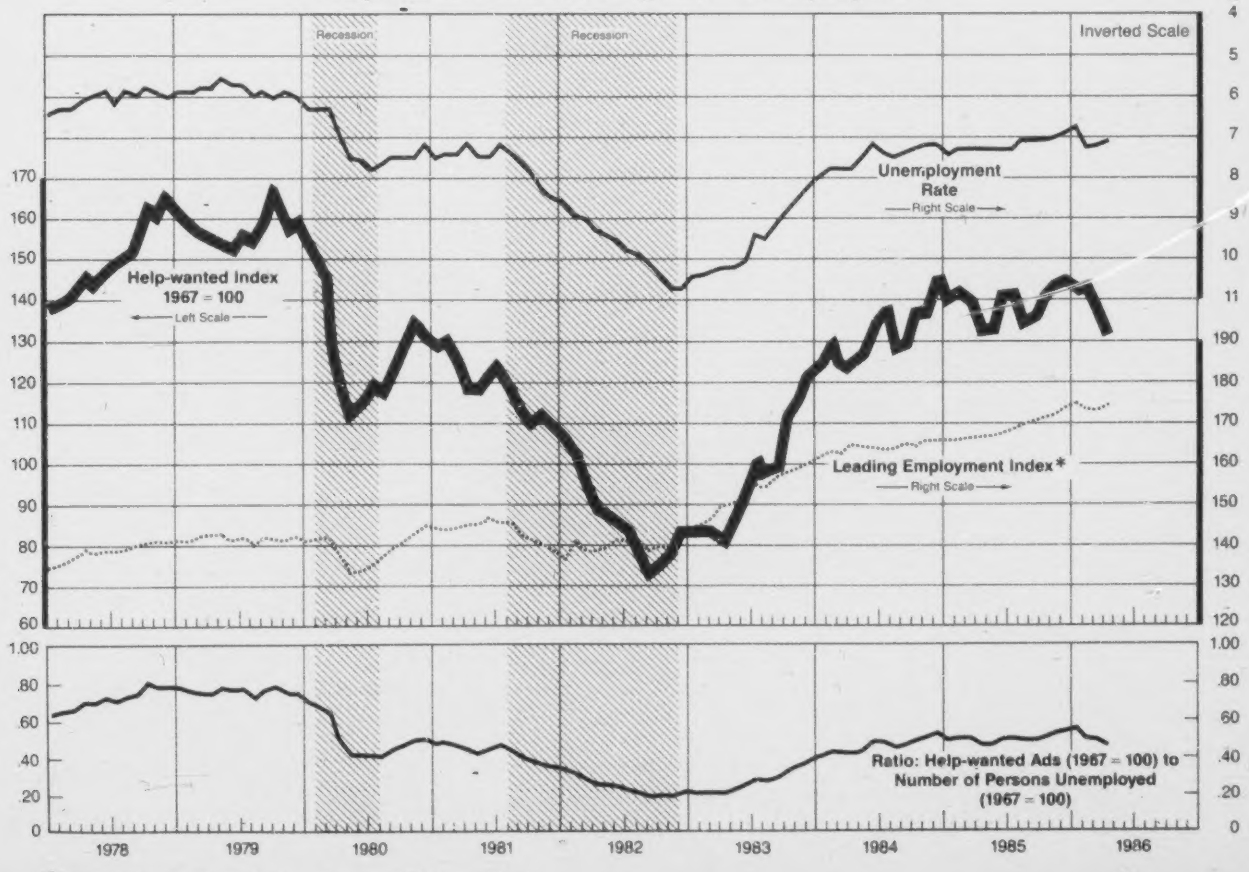
CONFERENCE BOARD HELP-WANTED ADVERTISING INDEXES

Seasonally Adjusted Indexes, 1967 = 100

Locality	1986 Mar.	1986 Feb.	1986 Jan.	1985 Mar.
National Index	138	142	143	141
New England	158	157	156	156
Boston	169	169	162	171
Hartford	160	154	169	153
Providence	120	117	125	106
Middle Atlantic	71	74	73	66
Albany	136	169	173	144
Allentown	198	207	196	175
New York	56	58	56	53
Philadelphia	62	62	64	60
Pittsburgh	88	87	83	72
Rochester	84	92	91	81
Syracuse	119	130	118	103
East North Central	91	92	90	88
Chicago	94	93	91	98
Cincinnati	141	148	163	132
Cleveland	63	63	60	64
Columbus	155	154	158	137
Dayton	85	82	84	80
Detroit	71	73	67	65
Gary	117	117	123	101
Indianapolis	90	93	88	88
Milwaukee	57	60	55	54
Toledo	116	139	130	109
West North Central	93	101	93	91
Kansas City	156	199	160	123
Minneapolis	70	71	71	81
Omaha	117	112	117	128
St. Louis	70	70	69	72
South Atlantic	189	193	191	193
Atlanta	276	294	287	299
Baltimore	210	214	219	215
Charlotte	159	154	161	159
Jacksonville	219	204	211	205
Miami	95	86	83	89
Richmond	130	133	128	128
Washington, D.C.	182	188	183	181
East South Central	154	164	170	138
Birmingham	158	176	173	134
Knoxville	207	202	212	227
Louisville	102	85	99	94
Memphis	128	153	128	105
Nashville	211	236	275	178
West South Central	184	206	221	251
Dallas	209	270	302	352
Houston	230	251	264	300
New Orleans	104	102	101	113
Oklahoma City	115	119	130	141
San Antonio	186	183	196	220
Tulsa	137	137	148	148
Mountain	291	306	316	320
Denver	181	194	206	226
Phoenix	439	455	458	476
Salt Lake City	297	313	330	284
Pacific	211	211	212	204
Los Angeles	155	158	156	157
Sacramento	385	380	399	341
San Bernadino	240	245	244	219
San Diego	467	474	485	443
San Francisco	210	198	203	205
Seattle	201	199	199	184
Percentage of papers with rising volume	33%	45%	49%	55%
Unemployment rate	7.2%	7.3%	6.7%	7.3%

Note: For definitions and method, see Noreen Preston, *The Help-wanted Index* (New York: The Conference Board, 1977).
r—revised N.A.—not available

Help-wanted Advertising and Unemployment



* Source: Center for International Business Cycle Research, Columbia University

CONFERENCE BOARD INDEXES OF CONSUMER CONFIDENCE AND BUYING PLANS

Indexes, 1985 = 100
(Seasonally Adjusted)

Consumer Confidence Index

	Jan.	Feb.	Mar.	Apr.	May	June	July	Aug.	Sept.	Oct.	Nov.	Dec.
1983	59.8	70.1	81.2	81.8	85.9	87.0	87.8	89.9	92.2	93.5	96.7	104.9
1984	16.8	17.6	24.0	29.3	32.3	103.7	98.5	101.6	102.4	101.7	106.1	98.7
1985	103.0	104.0	98.0	101.0	96.6	100.0	101.2	99.6	98.9	99.3	98.7	99.8
1986	97.8	96.9	96.9r	99.1p								

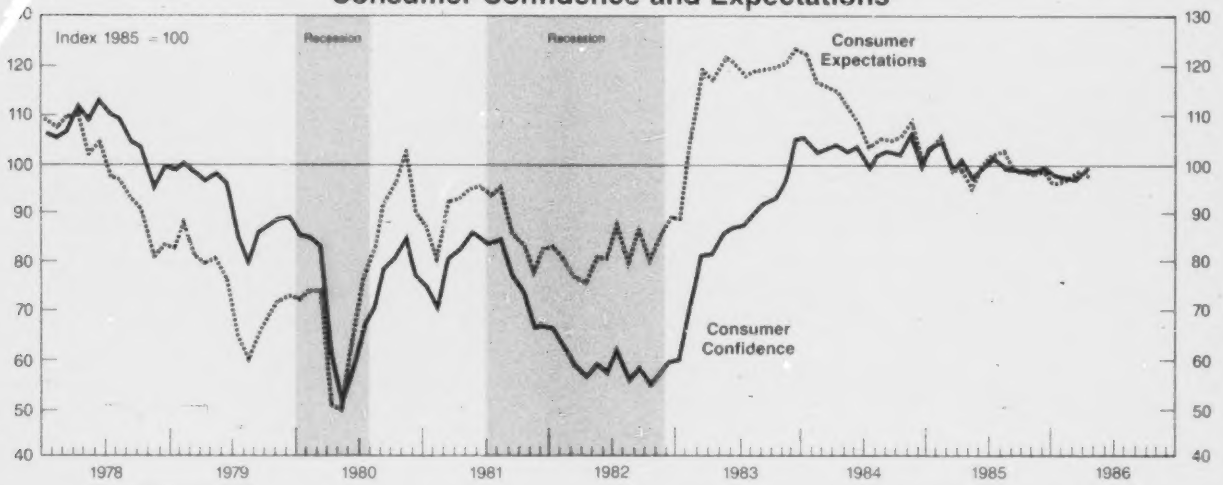
Buying Plans Index

	Jan.	Feb.	Mar.	Apr.	May	June	July	Aug.	Sept.	Oct.	Nov.	Dec.
1983	71.7	71.1	77.5	85.6	84.7	89.0	94.4	85.0	101.6	102.2	99.2	99.3
1984	99.2	98.0	90.7	98.6	102.5	104.9	89.5	95.5	83.5	92.7	96.0	91.9
1985	100.7	98.7	98.4	97.4	89.5	96.3	93.1	98.4	107.3	110.3	101.2	108.8
1986	105.6	103.9	101.9r	134.6p								

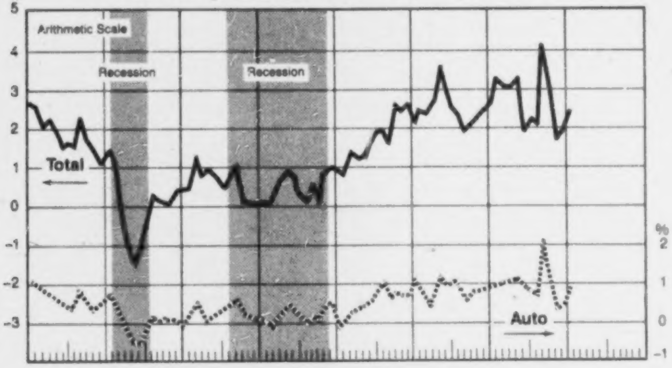
Confidence Index measures consumer optimism in appraising economic conditions. Buying plans Index is based on intentions to purchase cars, homes, appliances. Expectations Index, (charted below), measures consumer attitudes with regard to business conditions and employment and income levels six months hence. Data prior to May, 1981 based on survey of families. Data after May, 1981 are based on survey of households. A description of these indexes appears in The Conference Board RECORD, September, 1973.

Surveys are conducted by National Family Opinion, Inc. p—preliminary r—revised

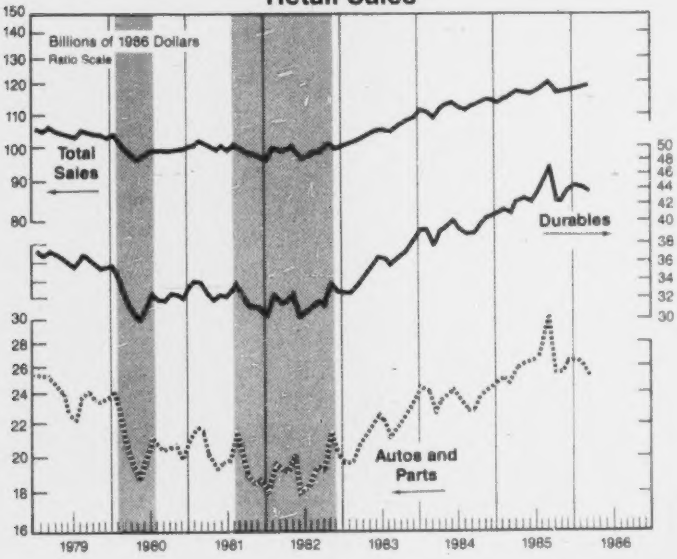
Consumer Confidence and Expectations



Consumer Installment Debt Expansion ÷ Personal Income



Retail Sales



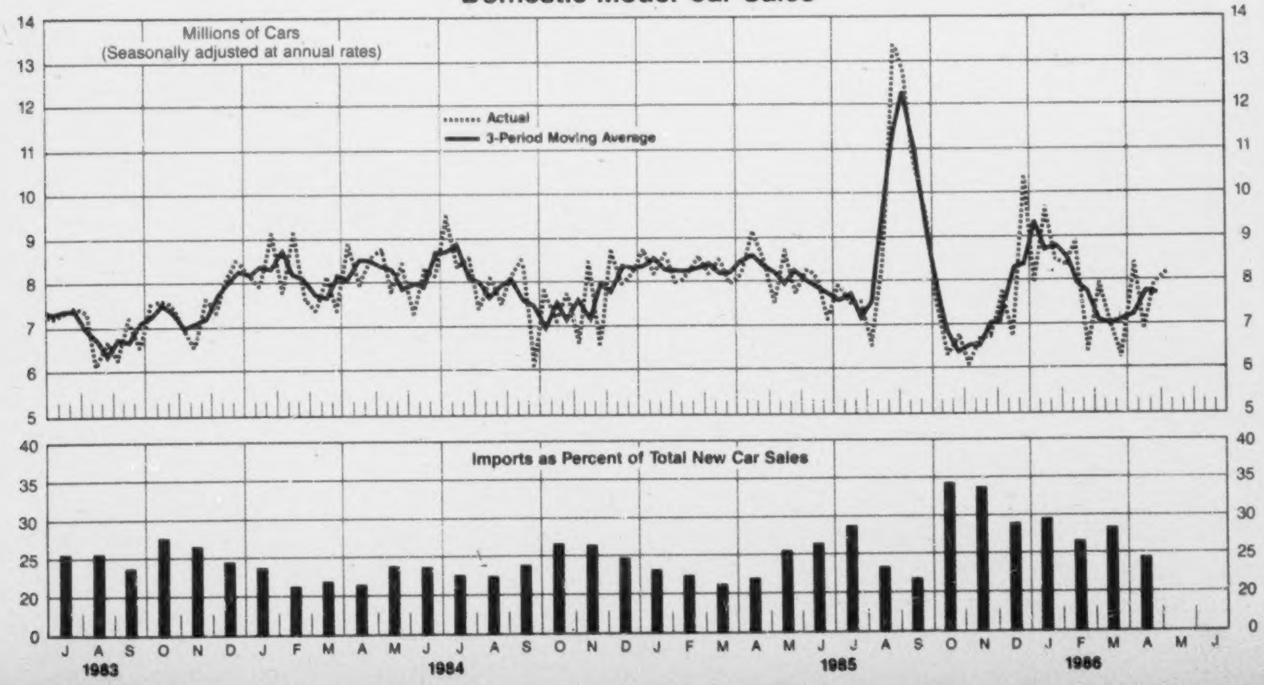
CONFERENCE BOARD ESTIMATES OF NEW AUTO SALES, BY 10-DAY PERIODS

Millions, Seasonally Adjusted at Annual Rate

Periods		1983	1984	1985	1986
January:	1-10	6.17	8.16	8.69	7.97
	11-20	6.20	7.84	8.15	9.63
	21-31	5.60	9.15	8.62	8.40
February:	1-10	5.86	7.79	7.97	8.32
	11-20	5.30	9.17	8.04	8.93
	21-28(29)	6.07	7.60	8.58	6.38
March:	1-10	5.61	7.35	8.14	7.81
	11-20	6.10	8.13	8.44	6.99
	21-31	6.19	7.35	7.94	6.24
April:	1-10	6.69	8.88	8.16	8.39
	11-20	6.52	7.96	9.12	6.97
	21-30	6.35	8.60	8.46	7.96
May:	1-10	6.67	8.75	7.45	8.13
	11-20	6.30	7.74	8.69	
	21-31	6.97	8.43	7.70	
June:	1-10	7.23	7.22	8.21	
	11-20	7.34	8.25	8.02	
	21-30	7.28	8.10	7.16	
July:	1-10	7.25	9.51	7.89	
	11-20	7.36	8.32	7.47	
	21-31	7.43	8.59	7.53	
August:	1-10	7.39	7.33	6.47	
	11-20	6.11	8.07	8.39	
	21-31	6.65	7.43	13.29	
September:	1-10	6.26	8.13	12.76	
	11-20	7.21	8.52	10.63	
	21-30	6.55	6.03	9.49	
October:	1-10	7.52	7.83	7.44	
	11-20	7.56	7.07	6.27	
	21-31	7.45	7.70	6.75	
November:	1-10	6.96	6.60	6.04	
	11-20	6.55	8.44	6.66	
	21-30	7.62	6.57	6.70	
December:	1-10	7.30	8.75	7.72	
	11-20	8.09	7.96	6.74	
	21-31	8.48	8.19	10.38	

Note: Dealer sales exclude exports and foreign-model cars (unless manufactured domestically.) Data from Ward's Automotive Reports are seasonally adjusted by The Conference Board. Prior data available upon request.

Domestic-Model Car Sales



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STATISTICAL BULLETIN

Volume 19, No. 6, June, 1986

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70th Anniversary

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THE CONFERENCE BOARD'S STATISTICAL BULLETIN COMMENTARY

- NEW ORDERS STILL DECLINING
- INDUSTRIAL PRODUCTION REMAINS FLAT
- RAW INDUSTRIAL PRICES CONTINUE TO FALL
- AND THE LABOR MARKET HAS COOLED OFF
- BUT MANUFACTURING EXPORTS ARE RISING
- HOME SALES AND STARTS ARE IMPROVING
- OUTLOOK * THE FORECASTERS STILL SEE A BRIGHT SECOND HALF OF 1986, AFTER A VERY SLUGGISH SECOND QUARTER

OVERVIEW: If the **Economic Forecasts** are on target, renewed economic expansion will be a prime-time story by late Summer. Indeed, the stock-market rally seems to have already discounted that development. That rally appears to be stalling as incoming economic reports continue to reflect an uneven distribution of growth: steady, respectable expansion of services while the industrial sector remains flat.

It is somewhat disconcerting that conditions in the industrial core of the economy remain so weak despite the stimulus of lower energy prices, lower interest rates, and some narrowing in the trade balance. Reinvigorating industry, some analysts contend, will require further interest-rate reduction. But the Federal Reserve seems anxious to spike such expectations. Among other considerations, we agreed with our allies at the Tokyo Summit to try coordinating policy. And neither the West Germans nor the Japanese have much enthusiasm for further rate reductions at the moment.

The pick up in car sales and home buying in recent months has been the most visible response to lower interest rates. Elsewhere, the rise in consumer spending has been more moderate. Business investment has apparently been weaker than consumer spending. For economic expansion to move onto a faster track in the second half of 1986, consumer spending will have to rise a little faster and business investment in plant and equipment will have to quicken. Given budget constraints, total government spending doesn't appear likely to outperform the private sector.

DOMESTIC MARKET MONITOR

The labor-market is slumping, unemployment has inched higher. Employment growth has slowed and those few, new jobs are generally low paying. Furthermore, initial unemployment claims have started to rise while total hours worked have begun to fall. And the number of discouraged workers is starting to go up. Finally, there are no signs that labor demand is picking up.

Faced with sluggish job growth, some out-of-work, adult men have stopped looking for a job. If the number of adult, male jobseekers had risen at the same pace as that for adult women, the unemployment rate would have been 7.7% in May, instead of the actual 7.3% rate. The adult-female labor force was 1% higher in May than 3 months earlier. The adult-male labor force (61 million) only increased by 25,000.

Labor-market conditions may not improve much over the next few months. The Conference Board's **Help-wanted Index** declined to 132 (1967 = 100) in April, from a reading of 145 only 4 months earlier. And early returns to the May survey indicate that this measure of labor demand probably declined another few points. Improved labor-market conditions may not show up before late Summer.

Consumer buying has been unusually selective in recent months. For example, hardware and buildinng-supply sales were 7.7% higher in April than 3 months earlier. Furniture and appliances were 0.3% lower, nondurable sales were 0.8% lower and sales of cars and parts were 1.8% lower. New, domestic **Automobile Sales**, however, improved to a seasonally-adjusted 7.8 million annual rate in April and remained at that pace in May. Still, that result was somewhat disappointing since car makers introduced selective price cuts and lower loan rates, while prices on some foreign models were raised—due to the dollar's depreciation.

The combination of no growth in hours worked and almost no change in hourly pay rates has resulted in declining wage income in commodity-producing industries: 0.5% lower in April than 3 months earlier. Wages in other industries were 1.2% higher. But nonwage income was 2.3% higher. Increases in purchasing power would have more impact on spending if it weren't so concentrated in the nonwage categories.

Subdued borrowing is also holding down gains in consumer spending. Revolving credit slowed in December and has continued to moderate since then. The net change in auto loans fell in March and February as car sales slumped.

Ken Goldstein, Editor

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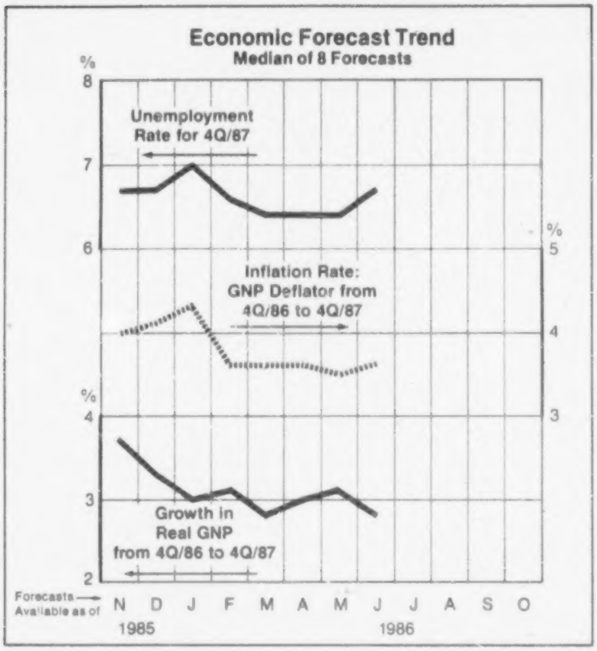


Auto sales picked up in April and May, which implies that auto loans probably rose in those 2 months.

Consumer attitudes have remained fairly fixed over the first half of 1986. That suggests that, unlike financial-market participants, consumers have not been terribly impressed with negative economic news, especially with regard to labor market developments. Nor have they been affected by rosy **Economic Forecasts**.

Residential construction appears to be one of the bright spots in the economy at the moment. New, single-family home sales fell only 3½% in April, following a 26% jump in March. Lower mortgage rates are clearly helping sales. Home-price appreciation may be inducing some buyers to get in now. New starts, both for single- and multi-unit homes, rose 3½% in April. Nonresidential construction, however, remained flat through the first 4 months of the year. Nor is there any hint of change soon. Commercial-building vacancy rates remain high and industrial capacity utilization remains low.

Industrial production is, at best, stagnant. After declining for 2 months, it only increased by 0.2% in April. Given the drop in both employment and hours worked in May, industrial output probably declined that month. And these declines would probably be even steeper if exports of manufactured products hadn't begun to rise in recent months.

With declining new orders, manufacturers have little incentive to speed production and hire workers. After declining for 3 months, durable orders were 3.4% lower in April than 3 months earlier. In fact, production schedules have only been maintained by filling old orders faster than new orders come in.

INVENTORY: Even though industrial output is declining, inventory—except cars at the retail level—has remained stable, no higher in March than 3 months earlier. And increased car sales in April and May probably helped clear some of those car lots.

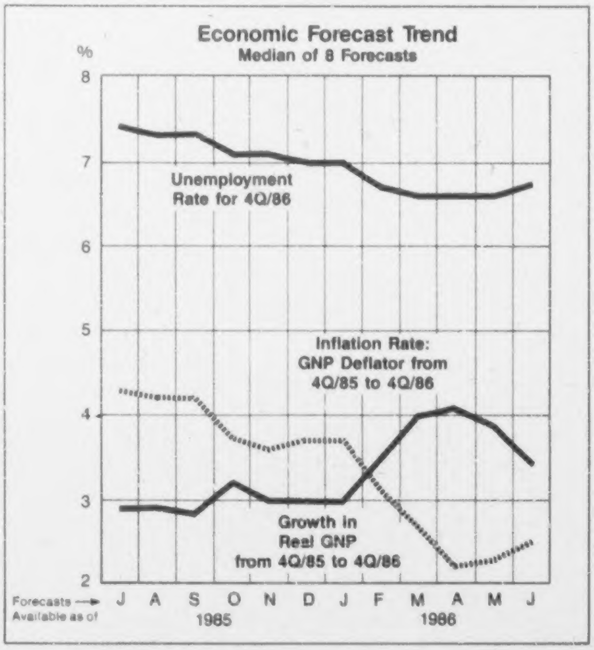
PRICES: After a brief rally, crude-oil prices fell again in early June. Raw industrial prices fell in April for the 3rd straight month: Metal prices fell 5.7% in April, following a 6.1% decline in March. Lower energy and metal prices are showing up at the wholesale level but are being offset at the retail level by increased prices for shelter, medical care, clothing and—despite depressed farm prices—food. The CPI fell 0.3% in April but the component for all items except energy rose 0.4 percent.

INTERNATIONAL MONITOR

Imports have been declining in recent months. Oil shipments, both in terms of dollars and volume, have fallen sharply. Manufactured goods, except aircraft, were 3% lower in April than 3 months earlier. Aircraft, however, was 43% higher. With that one exception, imports are no longer flooding into domestic markets.

Helped by a lower dollar, and economic growth in some of our trading partners, exports have begun to rise. Shipments were 5.6% higher in April than 3 months earlier, despite a 16% drop in farm goods. Manufactured goods are rising sharply: Nonelectric machinery was up 6.5%; transport equipment (except aircraft) rose 11.6%; electric machinery rose 17.5% and aircraft rose 33 percent. Interestingly, exports to Japan were 8.1% higher.

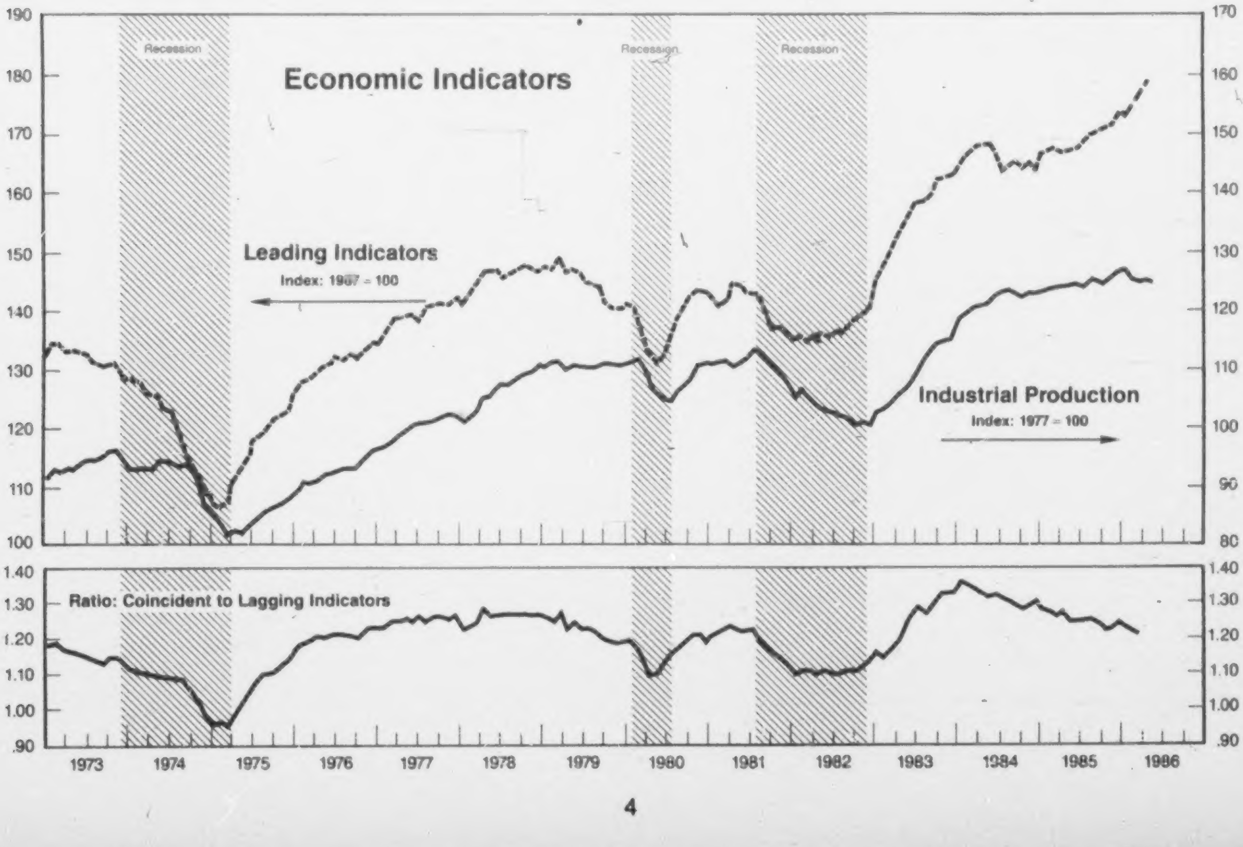
Ken Goldstein
June 7, 1986



STATUS OF LEADING ECONOMIC INDICATORS

		Rising	Level	Declining	Change over latest three months	Change From Year-Ago
		(Classification based on movement of series over several months)				
Leading Economic Indicators	Apr.	X			3.2%	7.5%
Capital Investment Commitments						
*Contracts and orders, plant & equipment (deflated)	Apr.		X		13.0%	2.1%
New orders, nondefense capital goods (deflated)	Apr.		X		10.8%	3.9%
*New business formation	Apr.	X			5.4%	7.0%
*Housing permits	Apr.	X			1.3%	11.3%
Inventory Investment and Purchasing						
*New orders, consumer goods & materials (deflated)	Apr.		X		– 2.5%	4.6%
*Change in inventory, on hand & order (deflated)	Mar.	X			14.9%	13.9%
Purchasing agents' buying policy	May		X		0%	2%
*Vendor performance, reported slower deliveries	Apr.	X			4%	6%
Industrial raw materials prices	May			X	– 5.1%	– 12.2%
*Change in sensitive material prices	Apr.			X	– 0.5%	0.0%
Sensitive Financial Flows						
*Money balance (M2 deflated)	Apr.	X			3.1%	6.0%
Change in business loans	Apr.			X	– 49.4%	– 7.6%
*Change in credit outstanding	Apr.			X	– 1.3%	– 4.4%
Change in consumer installment debt	May			X	– 33.0%	– 55.0%
Profitability						
Total corporate profits, after tax (deflated)	1st Q			X	– 5.9%	– 0.5%
*Common stock prices	May	X			7.8%	28.0%
Marginal Employment Adjustments						
*Average workweek, mfg.	May		X		– 0.1hr	0.2hr
*Initial unemployment claims (inverted)	May			X	1.6%	1.3%

Note: For a description of the Leading Indicators Composite Index see Bureau of Economic Analysis, *Handbook of Cyclical Indicators*, (Washington. D.C.: Government Printing Office) June, 1977.
*These twelve series make up the Composite Leading Index charted below.



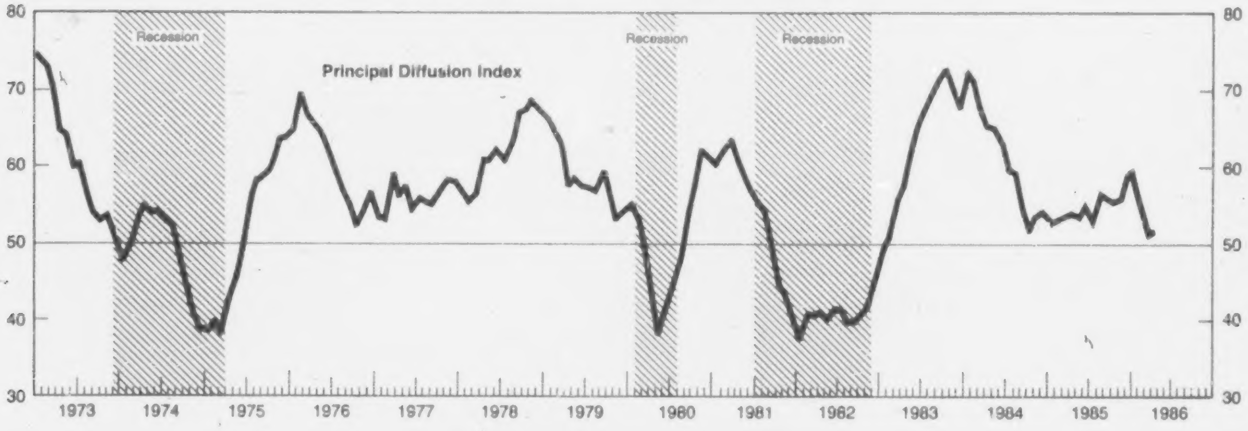
CONFERENCE BOARD DIFFUSION INDEXES

DIFFUSION INDEXES	1985 Apr.	1986 Jan.	Feb.	Mar.	Apr. (e)
Principal Diffusion Index	54.2	59.7r	54.6r	50.7r	51.8
Auxiliary Diffusion Index	53.6	55.4r	33.5r	37.2r	53.4
Industrial Group	48.6	61.3	53.5r	49.3r	48.0
Nonindustrial Group	59.9	58.1r	55.8r	52.1r	55.5
Sense of Diffusion	0	1	1	0	0
SUBGROUP DIFFUSION INDEXES					
Industrial Subgroups					
Production	41.9	67.5	62.4r	52.1r	50.9
Labor	55.1	61.8	52.4	49.9	50.9
Miscellaneous	42.3	50.6	42.9	43.6r	36.5
Nonindustrial Subgroups					
Prices	42.9	54.5	54.5	54.5	53.8
Consumer	76.9	73.1	67.9	63.2	64.1
Building	65.4	49.7	49.4	41.3	50.0
Miscellaneous	50.4	51.3r	48.7r	46.6r	51.7

Note: The principal diffusion index reflects the frequency of rises in 20 component series over the 12-month period ending in the month indicated. The index is based on the direction of change, not the magnitude of change, from month to month. Each component series carries equal weight in the index, but the direction of recent changes is weighted more heavily than are earlier changes. If, for example, 10 component series rose and 10 declined in each of the last 12 months, the current index would be higher than 50 because the data over the latest six-month period are weighted more heavily than data from the earlier six-month period. On the other hand, if all 20 series rose in each of the last six months, after declining in each of the prior six months, weighting would make the current index considerably greater than 50. See Morton Ehrlich, "Using The Conference Board's Diffusion Indexes," The Conference Board *RECORD*, July, 1966.

e-estimate r-revised

The Conference Board Diffusion Index



BUSINESS EXECUTIVES' EXPECTATIONS

	1983 Aug.	1983 Nov.	1984 Feb.	1984 May	1984 Aug.	1984 Nov.	1985 Feb.	1985 May	1985 Aug.	1985 Nov.	1986 Feb.
	Score (scale 0-100)										
Measure of Business Confidence	75	74	70	65	61	57	61	52	51	55	61
1. Appraisal of Current Economic Conditions Compared With Six Months Ago	82	80	76	75	70	57	62	48	45	53	63
2. Expectations for Economy, Six Months Ahead	74	73	67	60	57	57	61	53	53	56	62
3. Expectations for Own Industry, Six Months Ahead	69	70	67	61	57	58	61	55	54	56	59

The Measure of Business Confidence is the average of the scores for the three primary questions in the survey. Respondents have five reply options for each question; a score for each question is determined by assigning the following values to the replies and calculating the average value of the replies to the question: Substantially Better—100; Moderately Better—75; Same—50; Moderately Worse—25; Substantially Worse—0. The score for each question, and the overall Measure of Business Confidence, thus can range from 0 to 100.

CONFERENCE BOARD ESTIMATES OF CAPITAL APPROPRIATIONS AND EXPENDITURES BY MANUFACTURERS AND INVESTOR-OWNED UTILITIES

Billions of Dollars, Seasonally Adjusted

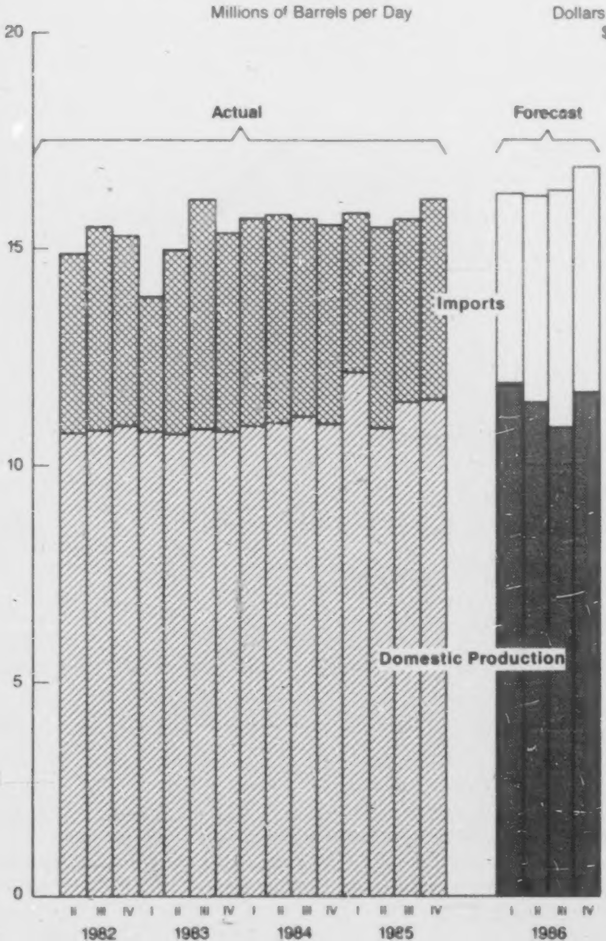
	1984			1985				Percent Change From Previous Year	
	II	III	IV	I	II	IIIr	IVp	1985p Actual	1986 Estimate
1000 LARGEST MANUFACTURING FIRMS									
New appropriations	34.123	27.309	29.100	29.938	27.560	24.167	27.499	– 7	4
Capital expenditures	21.739	23.034	24.587	23.354	24.911	24.730	26.643	11	8
Change in appropriations backlog*	+10.715	+2.885	+2.302	+4.984	+0.529	–2.702	–2.139		
Durable Goods									
New appropriations	18.702	12.742	15.072	16.737	10.910	12.031	12.452	– 13	0
Capital expenditures	10.041	11.101	12.223	11.648	12.814	12.299	12.802	16	5
Change in appropriations backlog*	+ 8.212	+1.107	+1.797	+4.154	–2.515	–1.094	–2.734		
Nondurable Goods									
New appropriations	15.421	14.567	14.028	13.201	16.650	12.136	15.047	– 2	8
Capital expenditures	11.698	11.933	12.364	11.706	12.097	12.431	13.841	6	10
Change in appropriations backlog*	+2.503	+1.778	+0.505	+0.830	+3.044	–1.608	+0.595		
ELECTRIC & GAS UTILITIES									
New appropriations	7.839r	9.863r	11.554r	9.066	15.509r	5.516p			
Capital expenditures	9.016r	9.212r	9.337r	8.828	9.156r	9.047p			
Change in appropriations backlog*	–2.897r	–1.607r	–3.147r	+0.106	+4.809r	–5.496p			

Available on request: Historical data from 1953 (manufacturing) and from 1958 (utilities), and quarterly reports containing text and data for 17 separate manufacturing industries, electric and gas utilities.

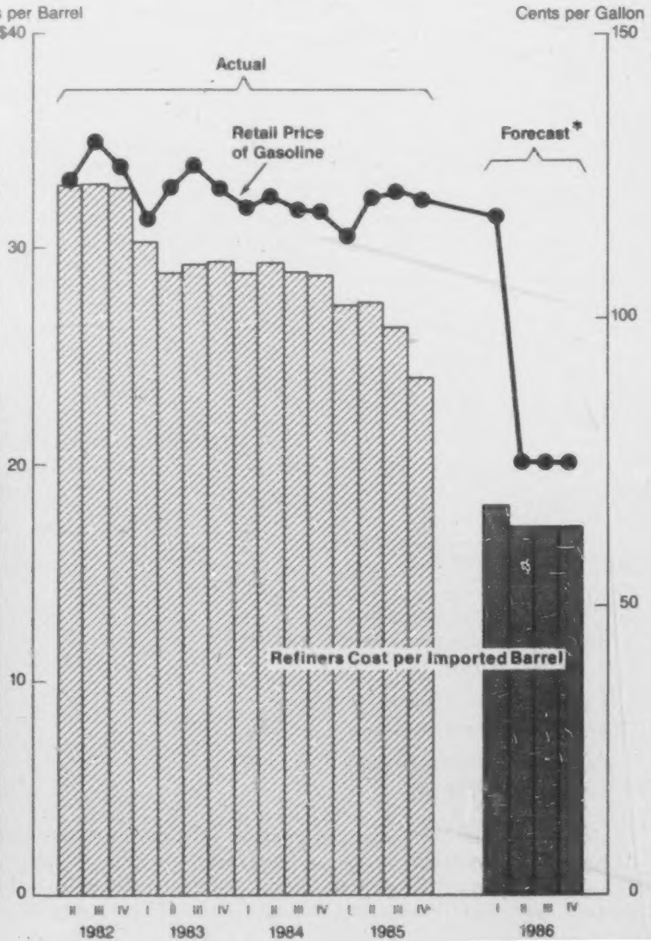
r—revised p—preliminary

* Change in Backlog = New Appropriations – (Expenditures + Cancellations + Other Adjustments).

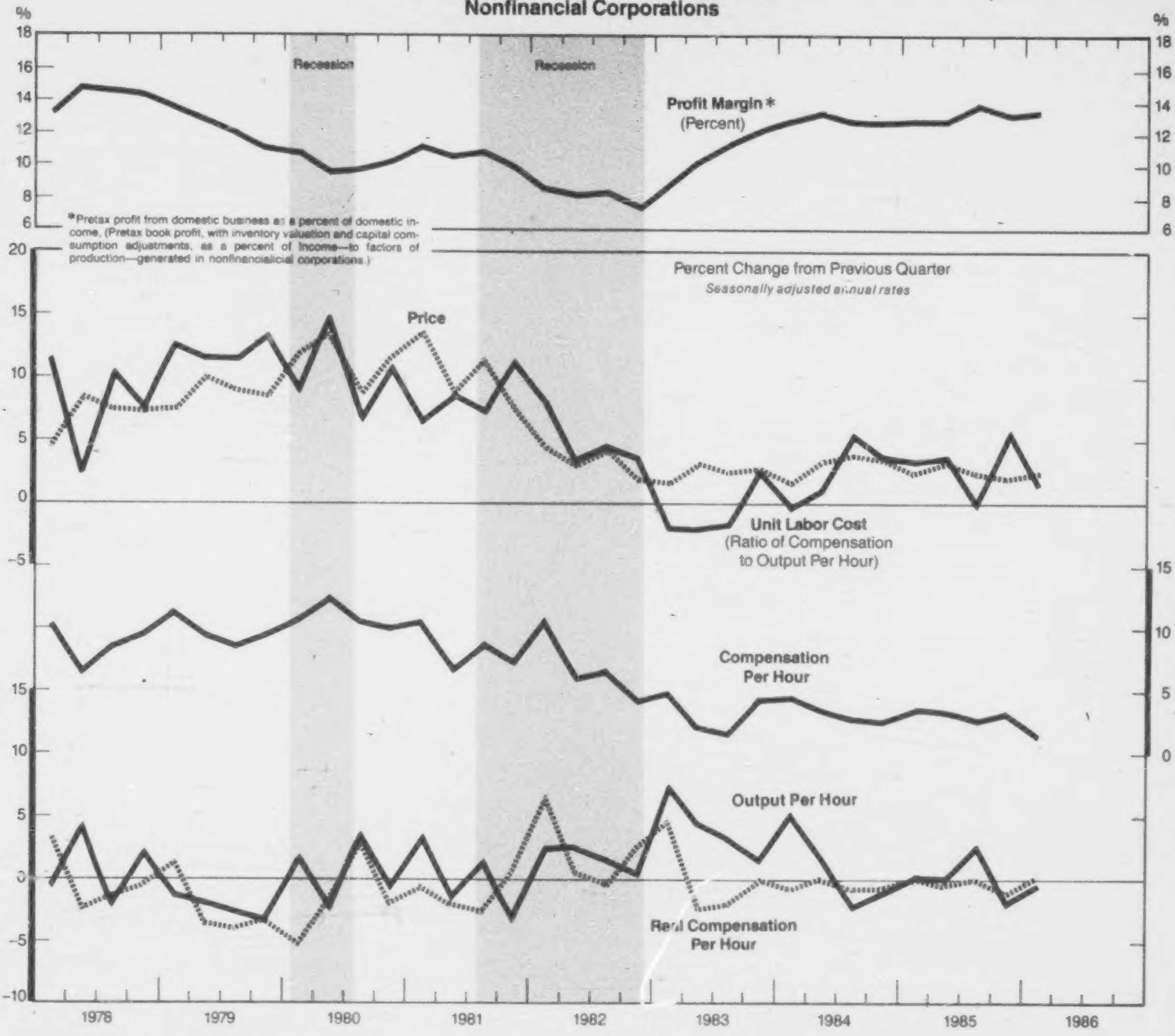
Oil Supply



Oil Price

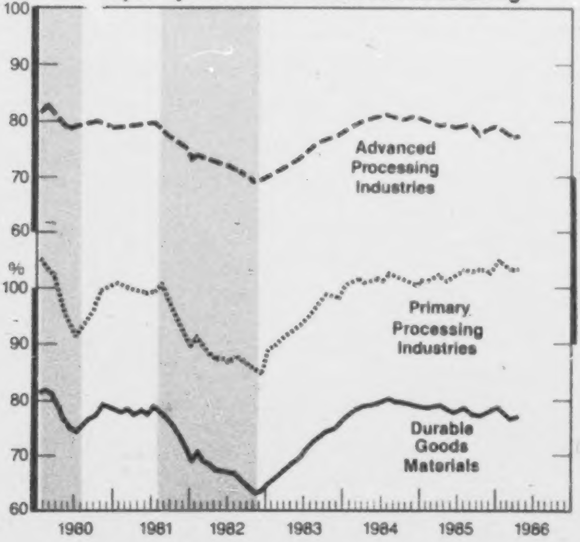


Key Determinants of Profit Margin
Nonfinancial Corporations

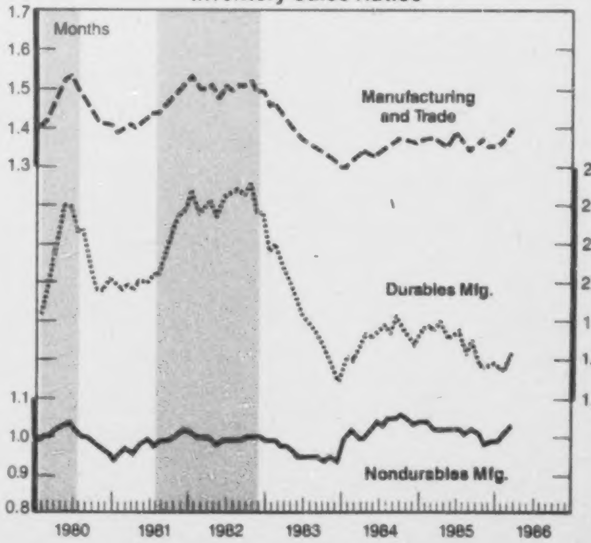


*Pretax profit from domestic business as a percent of domestic income. (Pretax book profit, with inventory valuation and capital consumption adjustments, as a percent of income—to factors of production—generated in nonfinancialcial corporations.)

Capacity Utilization Rates Manufacturing



Inventory-Sales Ratios



ECONOMIC FORECASTS

			U.C.L.A.[2] Business Forecasting Project		Merrill Lynch[2] Economics Inc.		E.I. duPont[1] de Nemours & Co.		Georgia State University[2]	
Date of Forecast			*May, 1986*		*May, 1986*		*Apr., 1986*		*May, 1986*	
			Level	*Percent Change*	*Level*	*Percent Change*	*Level*	*Percent Change*	*Level*	*Percent Change*
Gross National Product Billions of Current Dollars										
Actual	**1986**	I	**$4121.3**	**6.3%**	**$4121.3**	**6.3%**			**$4121.3**	**6.3%**
		II	4175.2	5.3	4169.2	4.7	$4166.7	4.9%	4161.3	3.9
		III	4258.9	8.3	4236.8	6.6	4262.3	9.5	4236.3	7.4
		IV	4340.3	7.9	4313.2	7.4	4355.5	9.0	4309.7	7.1
	1987	I	4437.5	9.3	4381.2	6.5	4418.2	5.9	4376.3	6.3
		II	4531.3	8.7	4451.2	6.5	4489.9	6.7	4432.0	5.2
		III	4620.7	8.1	4521.0	6.4	4561.3	6.5	4472.5	3.7
		IV	4710.0	8.0	4589.2	6.2	4627.6	5.9	4526.7	4.9
	1988	I	4818.7	9.6			4691.7	5.7		
		II	4916.4	8.4			4747.7	4.9		
	1986	Annual	4223.9	5.9	4210.1	5.6	4225.3	5.9	4207.2	5.5
	1987	Annual	4574.9	8.3	4485.7	6.5	4524.3	7.1	4451.9	5.8
Gross National Product Billions of Constant (1982) Dollars										
Actual	**1986**	I	**$3623.5**	**3.7%**	**$3623.5**	**3.7%**			**$3623.5**	**3.7%**
		II	3655.9	3.6	3643.1	2.2	$3655.0	4.0%	3655.7	3.6
		III	3708.0	5.8	3675.6	3.6	3716.0	6.8	3682.7	3.0
		IV	3751.6	4.8	3715.8	4.4	3771.0	6.1	3706.0	2.6
	1987	I	3798.0	5.0	3741.7	2.8	3799.0	3.0	3724.3	2.0
		II	3845.3	5.1	3767.8	2.8	3831.0	3.4	3743.0	2.0
		III	3882.3	3.9	3792.0	2.6	3859.0	3.0	3736.4	−.7
		IV	3912.0	3.1	3815.5	2.5	3879.0	2.1	3741.1	.5
	1988	I	3945.1	3.4			3900.0	2.2		
		II	3973.1	2.9			3914.0	1.4		
	1986	Annual	3684.8	3.2	3664.5	2.6	3690.3	3.4	3667.0	2.7
	1987	Annual	3859.4	4.7	3779.3	3.1	3842.0	4.1	3736.2	1.9
Gross National Product deflator Index, 1982 = 100										
Actual	**1986**	I	113.7	**2.5%**	113.7	**2.5%**			113.7	**2.5%**
		II	114.2	1.7	114.4	2.5	114.0	0.9%	113.8	0.3
		III	114.9	2.3	115.3	2.9	114.7	2.5	115.0	4.3
		IV	115.7	2.9	116.1	2.8	115.5	2.8	116.3	4.4
	1987	I	116.8	4.0	117.1	3.5	116.3	2.8	117.5	4.3
		II	117.8	3.5	118.1	3.6	117.2	3.1	118.4	3.1
		III	119.0	4.1	119.2	3.7	118.2	3.5	119.7	4.4
		IV	120.4	4.7	120.3	3.8	119.3	3.8	121.0	4.4
	1988	I	122.1	5.9			120.3	3.4		
		II	123.7	5.3			121.3	3.4		
	1986	Annual	114.6	2.6	114.9	2.8	114.5	2.5	114.7	2.7
	1987	Annual	118.5	3.4	118.7	3.3	117.7	2.8	119.2	3.9
Unemployment Rate										
Actual	**1986**	I		7.1%		7.1%		7.1%		7.1%
		II		7.0		7.0		6.9		7.0
		III		6.8		6.9		6.7		6.9
		IV		6.5		6.8		6.6		6.7
	1987	I		6.3		6.8		6.6		6.6
		II		6.0		6.8		6.7		6.5
		III		5.8		6.8		6.8		6.7
		IV		5.7		6.8		6.9		6.9
	1988	I		5.6				7.0		
		II		5.5				7.1		
	1986	Annual		6.8		7.0		6.8		6.9
	1987	Annual		5.9		6.8		6.8		6.7

Notes: Percentage changes represent compound annual rates of change from preceding period. Quarterly data are seasonally adjusted.

[1] Based on prelimary first quarter data.

[2] Based on revised first quarter data.

ECONOMIC FORECASTS (continued)

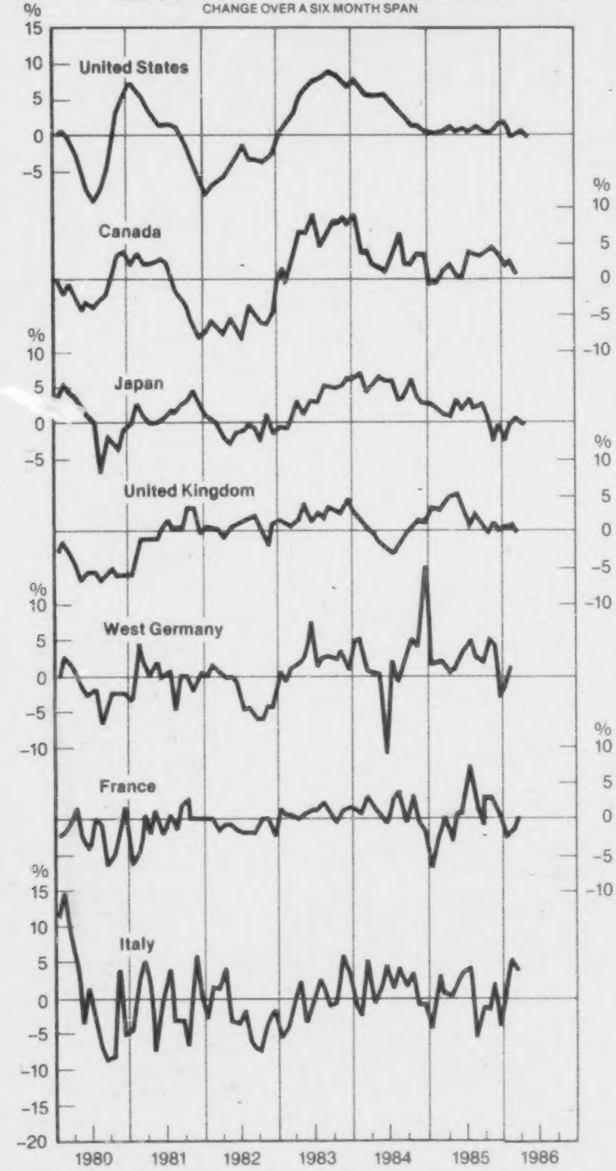
The Conference Board[2]		Chase Econometric[2] Associates, Inc.		Data Resources Inc.[2]		Wharton E.F.A. Inc.[2]				
May, 1986		*May, 1986*		*May, 1986*		*May, 1986*		*Date of Forecast*		
Level	*Percent Change*	*Level*	*Percent Change*	*Level*	*Percent Change*	*Level*	*Percent Change*			
								Gross National Product Billions of Current Dollars		
$4121.3	**6.3%**	**$4121.3**	**6.3%**	**$4121.3**	**6.3%**	**$4121.3**	**6.3%**	I	**1986**	**Actual**
$4168.0	4.6	4154.0	3.2	4159.8	3.8	4161.0	3.9	II		
4237.0	6.8	4226.7	7.2	4220.7	6.0	4227.8	6.6	III		
4316.0	7.7	4305.3	7.6	4275.5	5.3	4310.6	8.1	IV		
4387.0	6.7	4365.1	5.7	4336.7	5.8	4393.9	8.0	I	1987	
4424.0	3.4	4425.9	5.7	4404.2	6.4	4469.6	7.1	II		
4477.0	4.9	4505.9	7.4	4469.7	6.1	4540.2	6.5	III		
4552.0	6.9	4570.3	5.8	4536.5	6.1	4604.9	5.8	IV		
		4642.6	6.5	4621.2	7.7	4677.3	6.4	I	1988	
		4719.2	6.8	4692.9	6.4	4757.6	7.0	II		
4210.6	5.6	4201.8	5.3	4194.3	5.2	4205.2	5.4	Annual	1986	
4460.0	5.9	4466.8	6.3	4436.8	5.8	4502.2	7.1	Annual	1987	
								Gross National Product Billions of Constant (1982) Dollars		
$3623.5	**3.7%**	**$3623.5**	**3.7%**	**$3623.5**	**3.7%**	**$3623.5**	**3.7%**	I	**1986**	**Actual**
3644.2	2.3	3631.2	0.9	3641.6	2.0	3642.6	2.1	II		
3674.8	3.4	3665.8	3.9	3674.7	3.7	3677.8	3.9	III		
3711.0	4.0	3703.7	4.2	3697.4	2.5	3727.4	5.5	IV		
3736.7	2.8	3726.0	2.4	3718.9	2.3	3773.2	5.0	I	1987	
3736.7	0.0	3748.0	2.4	3753.9	3.8	3806.6	3.6	II		
3746.0	1.0	3776.3	3.1	3782.6	3.1	3833.7	2.9	III		
3768.3	2.4	3793.6	1.8	3806.8	2.6	3855.5	2.3	IV		
		3817.7	2.6	3835.5	3.0	3875.8	2.1	I	1988	
		3844.7	2.7	3858.3	2.4	3901.0	2.6	II		
3663.4	2.6	3656.1	2.4	3659.3	2.5	3667.8	2.7	Annual	1986	
3746.9	2.3	3761.0	2.9	3765.6	2.9	3817.3	4.1	Annual	1987	
								Gross National Product deflator Index, 1982 = 100		
113.7	**2.5%**	**113.7**	**2.5%**	**113.7**	**2.5%**	**113.7**	**2.5%**	I	**1986**	**Actual**
114.4	2.3	114.4	2.3	114.2	1.7	114.2	1.7	II		
115.3	3.3	115.3	3.2	114.9	2.2	115.0	2.6	III		
116.3	3.5	116.2	3.3	115.6	2.7	115.6	2.4	IV		
117.4	3.8	117.2	3.2	116.6	3.4	116.5	2.8	I	1987	
118.4	3.4	118.1	3.2	117.3	2.5	117.4	3.4	II		
119.5	3.8	119.3	4.2	118.2	2.9	118.4	3.5	III		
120.8	4.4	120.5	3.9	119.2	3.4	119.4	3.5	IV		
		121.6	3.8	120.5	4.5	120.7	4.2	I	1988	
		122.7	3.8	121.6	3.9	122.0	4.3	II		
114.9	2.9	114.9	2.9	114.6	2.6	114.6	2.6	Annual	1986	
119.0	3.6	118.8	3.3	117.8	2.8	117.9	2.9	Annual	1987	
								Unemployment Rate		
	7.1%		**7.1%**		**7.1%**		**7.1%**	I	**1986**	**Actual**
	7.2		7.0		7.0		7.1	II		
	7.0		6.7		6.9		7.0	III		
	6.8		6.4		6.9		6.7	IV		
	6.8		6.3		6.8		6.5	I	1987	
	7.2		6.2		6.8		6.4	II		
	7.4		6.2		6.7		6.3	III		
	7.3		6.2		6.6		6.3	IV		
			6.2		6.6		6.5	I	1988	
			6.1		6.5		6.6	II		
	7.0		6.8		7.0		7.0	Annual	1986	
	7.2		6.2		6.7		6.4	Annual	1987	

Please Note: In the interest of speeding the data contained in this publication to you, these series are available on-line through The Conference Board Data Base. For more information, contact Linette Stein Waters or Ken Goldstein at (212) 759-0900.

SELECTED INTERNATIONAL COMPARISONS

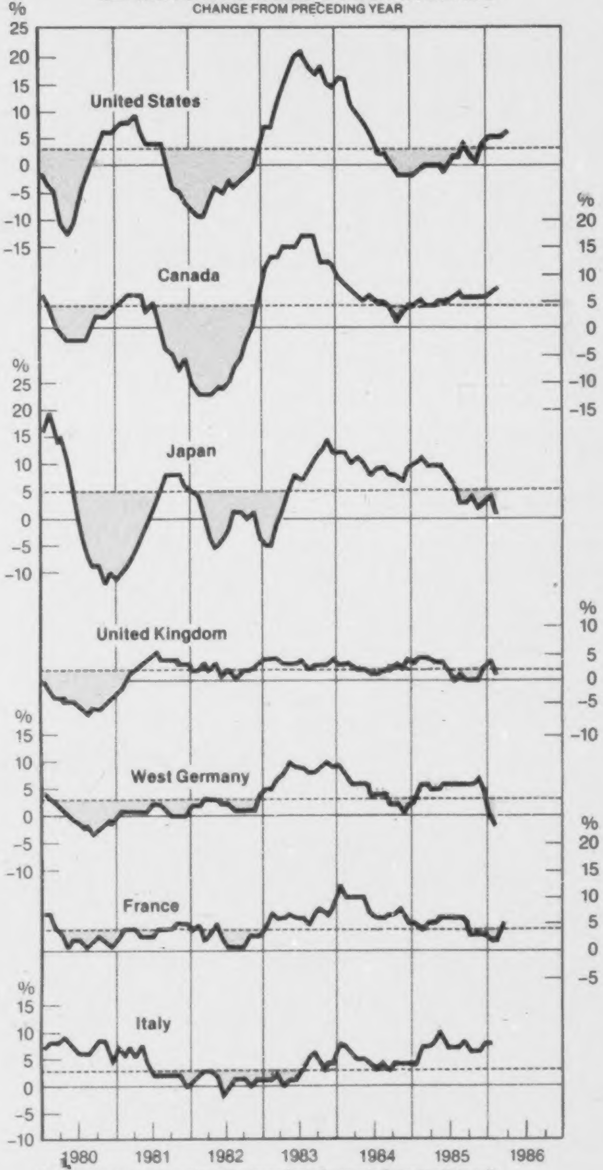
INDUSTRIAL PRODUCTION INDEXES

CHANGE OVER A SIX MONTH SPAN



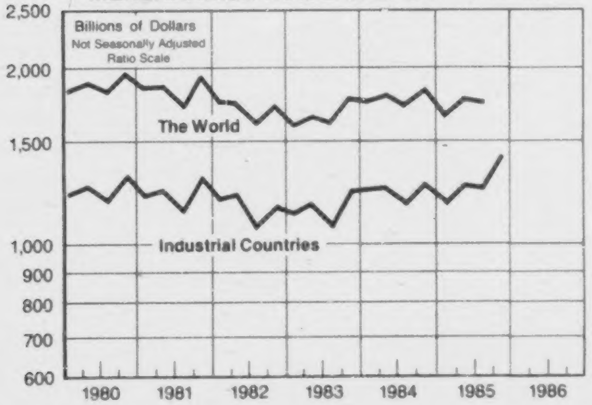
LEADING BUSINESS CYCLE INDEXES

CHANGE FROM PRECEDING YEAR

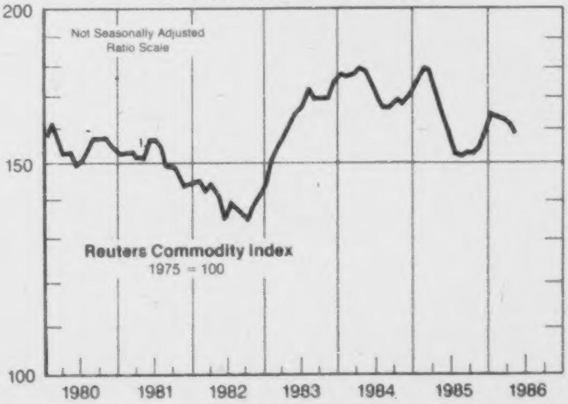


Source: Center for International Business Cycle Research, Columbia University

MERCHANDISE TRADE: VALUE OF EXPORTS

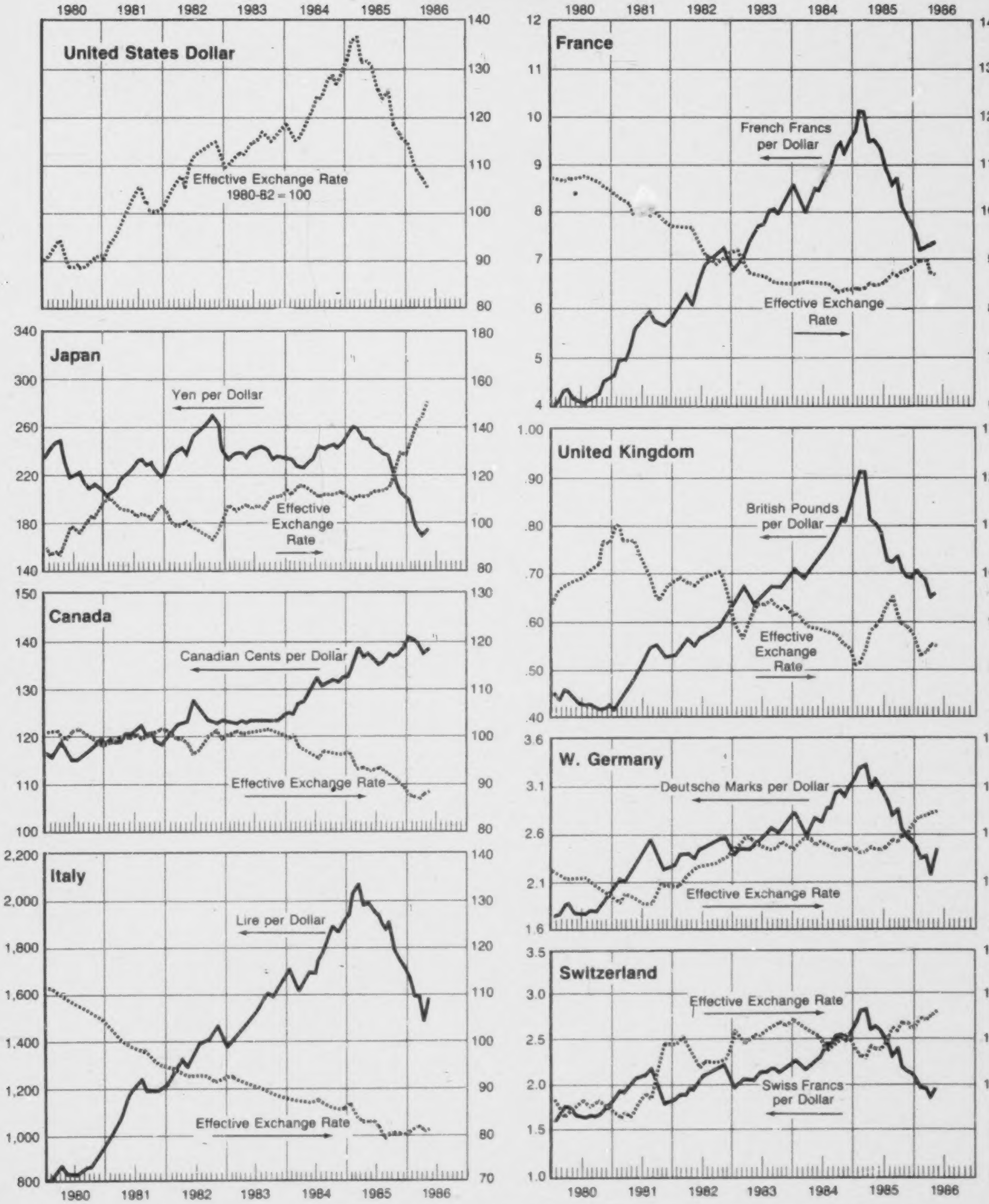


RAW MATERIALS PRICES



Foreign Exchange Rates

Indexes: 1980-82 = 100



Note: Nominal Effective Exchange Rates: Index numbers 1980-82 = 100. Each index shows a currency's trade- using averages weighted appreciation or depreciation measured against fifteen other major currencies of daily noon spot exchange rates in New York and bilateral trade weights based on 1980 trade in manufactures.

Source: Morgan Guaranty Trust Co.

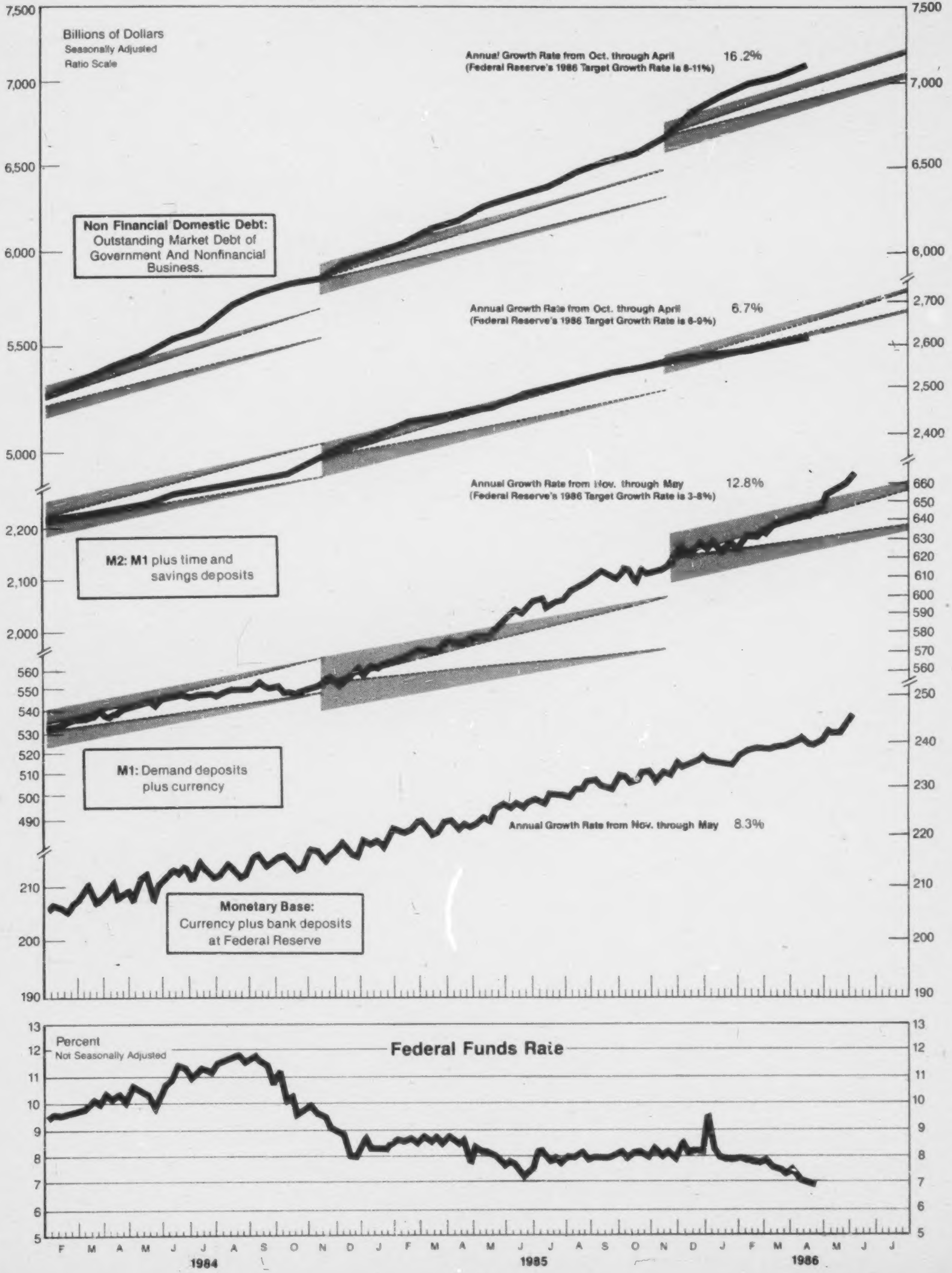
PERSPECTIVE ON THE FEDERAL BUDGET
(Billions of Current Dollars)

	Fiscal 1986		Fiscal 1987		Fiscal 1988	
	Administration's Latest Estimate	Congress's Latest Estimate	Administration's Latest Estimate	Congress's Latest Estimte	Administration's Latest Estimate	Congress's Latest Estimate
	(2/5/86)	(2/26/86)	(2/5/86)	(2/26/86)	(2/5/86)	(2/26/86)
Receipts	**$ 777.1**	**$ 778.7**	**$ 850.4**	**$ 849.9**	**$ 933.2**	**$ 928.1**
Outlays	**979.9**	**983.5**	**994.0**	**1,009.7**	**1,026.8**	**1,060.3**
Deficit	**-202.8**	**-204.7**	**-143.6**	**-159.7**	**- 93.6**	**-132.3**
Receipts by source	**$777.1**	**$778.7**	**$850.4**	**$849.9**	**$933.2**	**$928.1**
Individual income	353.7	354.2	386.0	385.0	425.9	422.0
Social security	280.4	280.8	302.8	302.3	335.0	333.5
Corporate income	70.9	72.2	86.7	89.4	101.2	101.2
Other receipts	72.1	71.5	74.9	73.2	71.1	71.4
Outlays by function	**$979.9**	**$983.5**	**$994.0**	**$1,009.7**	**$1,026.8**	**$1,060.3**
National defense	265.8	269.5	282.2	296.7	299.1	316.6
Social security	268.8	267.9	282.4	282.2	302.1	303.1
Income security	118.1	119.6	118.4	119.5	123.1	123.7
Health	35.7	35.6	35.0	35.1	36.7	36.8
Veterans benefits	26.6	26.7	26.4	26.5	26.9	26.9
Education & manpower	30.7	30.8	27.4	27.3	26.3	26.5
Transportation	27.1	27.5	25.5	25.6	24.1	24.3
Agriculture	25.9	30.4	19.5	21.9	19.7	23.5
International affairs	17.1	17.1	18.6	16.5	18.3	17.5
Natural resources	12.9	12.8	12.0	12.0	11.8	11.9
General science	8.9	8.9	9.2	9.1	9.3	9.4
Justice	6.8	6.8	6.9	7.1	7.0	7.2
General government	6.3	6.0	6.1	6.2	5.7	6.4
Community development	7.9	7.9	6.5	6.3	5.5	5.4
Commerce, Housing credit	3.8	4.2	1.4	3.1	3.8	4.3
Energy	4.4	4.2	4.0	4.4	4.5	4.1
Revenue sharing	6.2	5.8	1.7	1.7	1.8	1.8
Interest	142.7	139.8	148.0	144.7	145.1	152.7
Allowances	0.0	0.0	0.7	0.7	2.3	2.3
Offsetting receipts	-35.2	-37.7	-38.1	-36.8	-46.4	-44.2

ECONOMIC ASSUMPTIONS OF THE BUDGET

GNP						
Current Dollar	**$4,274.0**	**$4,269.0**	**$4,629.0**	**$4,583.0**	**$4,995.0**	**$4.930.0**
Constant (1982) Dollar	**3,695.0**	**3,688.0**	**3,842.0**	**3,803.0**	**3,966.0**	**3,928.0**
Percent change in						
Current dollar	7.0%	6.9%	8.3%	7.3%	7.9%	7.6%
Constant (1982) dollar	3.4	3.2	4.0	3.1	4.0	3.3
Implicit price index	3.5	3.6	4.2	4.1	3.7	4.1
Consumer price index	3.5	3.4	4.1	4.2	3.7	4.4
91-Day T bill rate	7.3	6.8	6.5	6.7	5.6	6.4
Unemployment rate	6.7	6.7	6.5	6.7	6.3	6.5

Money Supply and Monetary Growth Targets



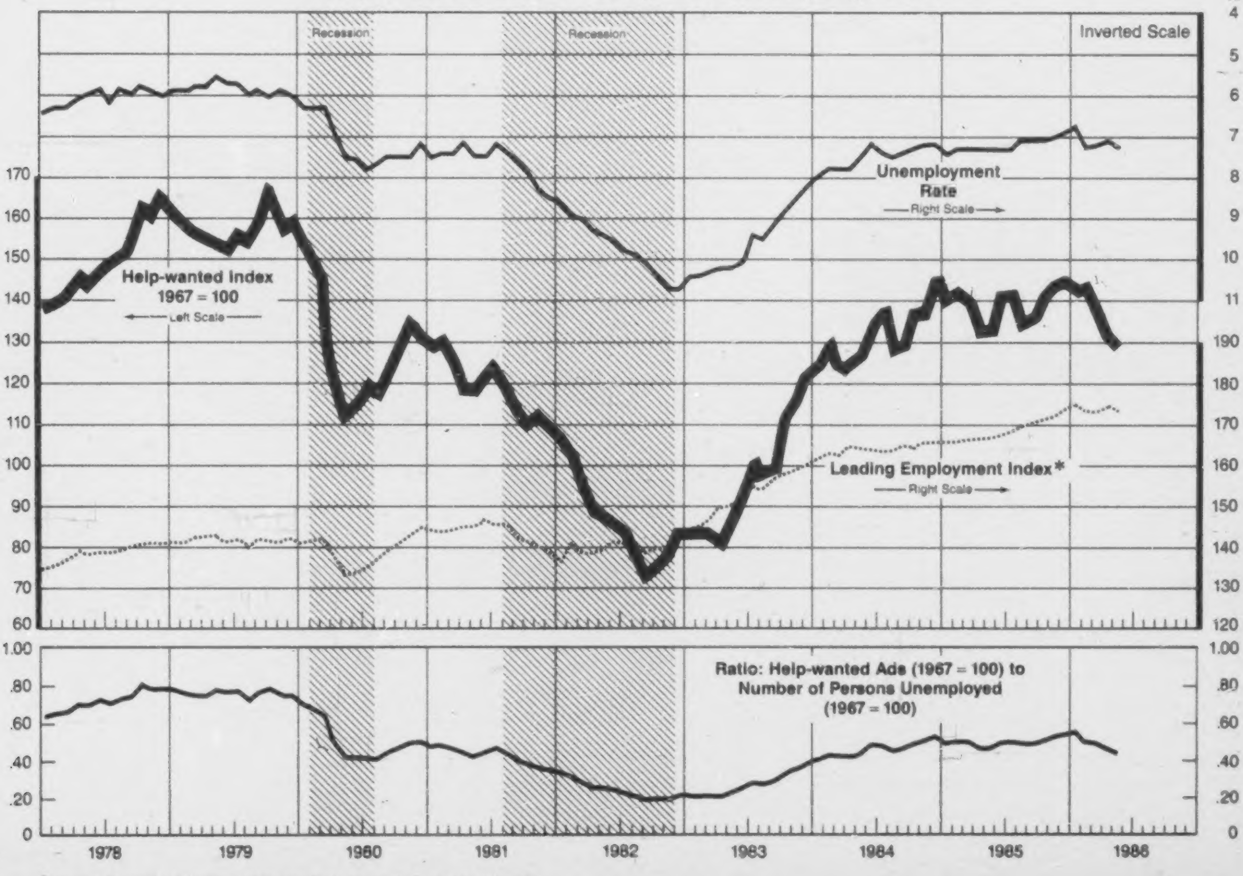
CONFERENCE BOARD HELP-WANTED ADVERTISING INDEXES

Seasonally Adjusted Indexes, 1967 = 100

	1986			1985
Locality	Apr.	Mar.	Feb.	Apr.
National Index	132	138	142	132
New England	162	158	157	149
Boston	170	169	169	161
Hartford	164	160	154	152
Providence	132	120	117	103
Middle Atlantic	73	71R	74	62
Albany	169	136R	169	149
Allentown	189	198	207	148
New York	60	56	58	53
Philadelphia	63	62	62	49
Pittsburgh	81	88	87	61
Rochester	81	84	92	79
Syracuse	123	119	130	97
East North Central	90	91	92	83
Chicago	94	94	93	94
Cincinnati	144	141	148	101
Cleveland	59	63	63	58
Columbus	147	155	154	130
Dayton	83	85	82	79
Detroit	67	71	73	64
Gary	112	117	117	87
Indianapolis	98	90	93	85
Milwaukee	56	57	60	50
Toledo	119	116	139	112
West North Central	88	93	101	84
Kansas City	149	156	199	117
Minneapolis	67	70	71	75
Omaha	115	117	112	120
St. Louis	65	70	70	64
South Atlantic	174	189	193	172
Atlanta	263	276	294	271
Baltimore	185	210	214	187
Charlotte	152	159	154	139
Jacksonville	213	219	204	192
Miami	78	95	86	74
Richmond	129	130	133	119
Washington, D.C.	164	182	188	162
East South Central	156	154	164	143
Birmingham	149	158	176	138
Knoxville	222	207	202	207
Louisville	74	102	85	77
Memphis	125	128	153	108
Nashville	257	211	236	231
West South Central	176	184	206	235
Dallas	202	209	270	322
Houston	224	230	251	280
New Orleans	99	104	102	104
Oklahoma City	102	115	119	140
San Antonio	178	186	183	211
Tulsa	122	137	137	149
Mountain	268	291	306	314
Denver	167	181	194	212
Phoenix	395	439	455	475
Salt Lake City	287	297	313	287
Pacific	197	211	211	194
Los Angeles	140	155	158	143
Sacramento	370	385	380	342
San Bernadino	230	240	245	222
San Diego	459	467	474	435
San Francisco	191	210	198	193
Seattle	192	201	199	175
Percentage of papers with rising volume	24%	33%	45%	18%
Unemployment rate	7.1%	7.2%	7.3%	7.3%

Note: For definitions and method, see Noreen Preston, *The Help-wanted Index* (New York: The Conference Board, 1977).
r—revised N.A.—not available

Help-wanted Advertising and Unemployment



* Source: Center for International Business Cycle Research, Columbia University

CONFERENCE BOARD INDEXES OF CONSUMER CONFIDENCE AND BUYING PLANS

Indexes, 1985 = 100
(Seasonally Adjusted)

Consumer Confidence Index

	Jan.	Feb.	Mar.	Apr.	May	June	July	Aug.	Sept.	Oct.	Nov.	Dec.
1983	59.8	70.1	81.2	81.8	85.9	87.0	87.8	89.9	92.2	93.5	96.7	104.9
1984	105.0	102.0	102.9	103.8	102.0	103.7	98.5	101.6	102.4	101.7	106.1	98.7
1985	103.0	104.0	98.0	101.0	96.6	100.0	101.2	99.6	98.9	99.3	98.7	99.8
1986	97.8	96.9	96.9	99.0r	96.1p							

Buying Plans Index

	Jan.	Feb.	Mar.	Apr.	May	June	July	Aug.	Sept.	Oct.	Nov.	Dec.
1983	71.7	71.1	77.5	85.6	84.7	89.0	94.4	85.0	101.6	102.2	99.2	99.3
1984	99.2	98.0	90.7	98.6	102.5	104.9	89.5	95.5	83.5	92.7	96.0	91.9
1985	100.7	98.7	98.4	97.4	89.5	96.3	93.1	98.4	107.3	110.3	101.2	108.8
1986	105.6	103.9	101.9	135.3r	108.3p							

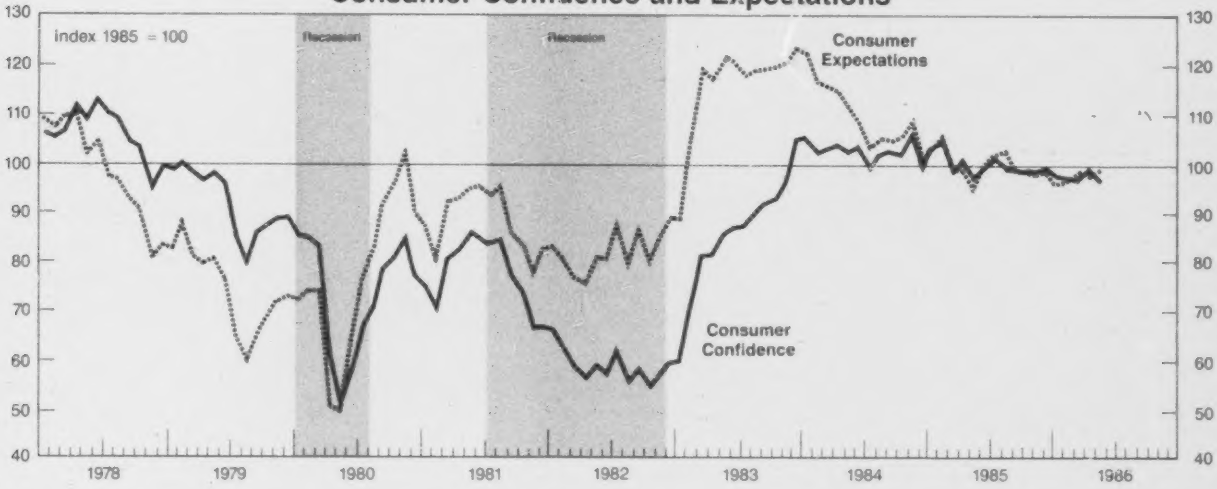
Confidence Index measures consumer optimism in appraising economic conditions. Buying plans Index is based on intentions to purchase cars, homes, appliances. Expectations Index, (charted below), measures consumer attitudes with regard to business conditions and employment and income levels six months hence. Data prior to May, 1981 based on survey of families. Data after May, 1981 are based on survey of households. A description of these indexes appears in The Conference Board RECORD, September, 1973.

Surveys are conducted by National Family Opinion, Inc.

p—preliminary

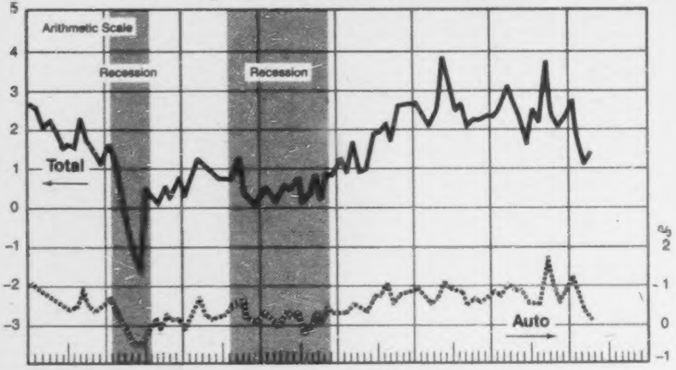
r—revised

Consumer Confidence and Expectations

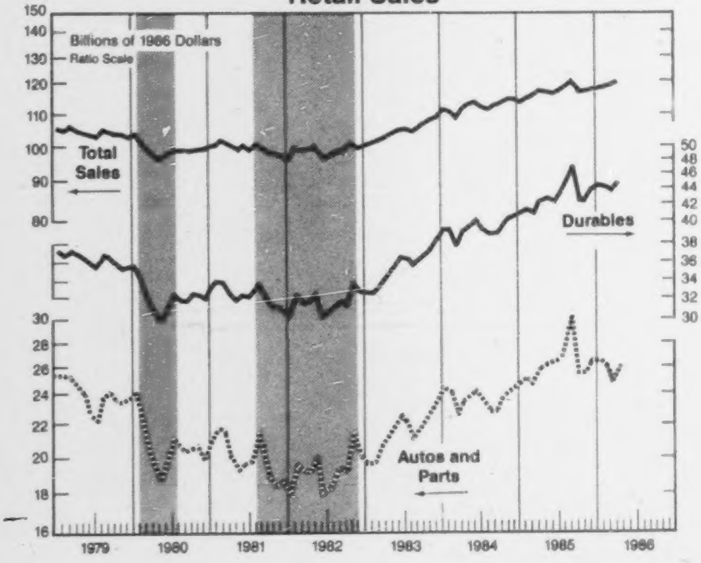


ATTENTION PC USERS: All data in this publication plus extensive government statistics are available on cost-effective diskettes. For more information, contact Linette Waters at (212) 759-0900.

Consumer Installment Debt Expansion ÷ Personal Income



Retail Sales



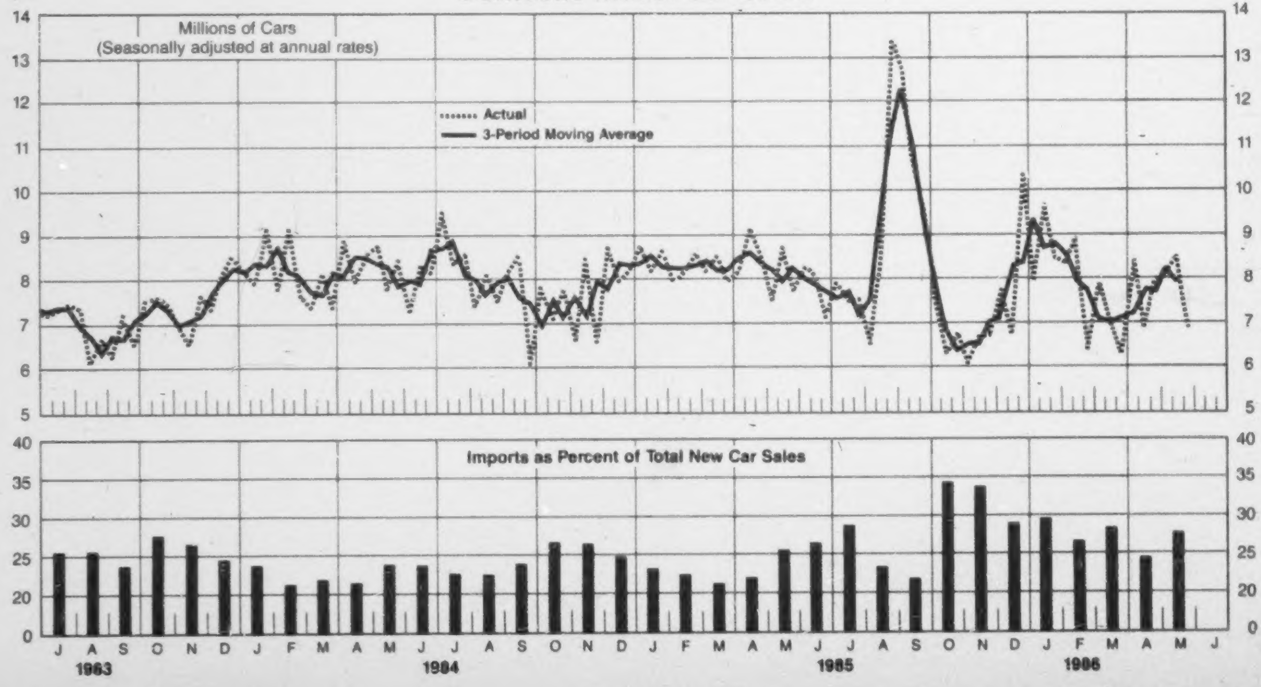
CONFERENCE BOARD ESTIMATES OF NEW AUTO SALES, BY 10-DAY PERIODS

Millions, Seasonally Adjusted at Annual Rate

Periods		1983	1984	1985	1986
January:	1-10	6.17	8.16	8.69	7.97
	11-20	6.20	7.84	8.15	9.63
	21-31	5.60	9.15	8.62	8.40
February:	1-10	5.86	7.79	7.97	8.32
	11-20	5.30	9.17	8.04	8.93
	21-28(29)	6.07	7.60	8.58	6.38
March:	1-10	5.61	7.35	8.14	7.81
	11-20	6.10	8.13	8.44	6.99
	21-31	6.19	7.35	7.94	6.24
April:	1-10	6.69	8.88	8.16	8.39
	11-20	6.52	7.96	9.12	6.97
	21-30	6.35	8.60	8.46	7.96
May:	1-10	6.67	8.75	7.45	8.13
	11-20	6.30	7.74	8.69	8.49
	21-31	6.97	8.43	7.70	6.86
June:	1-10	7.23	7.22	8.21	8.27
	11-20	7.34	8.25	8.02	
	21-30	7.28	8.10	7.16	
July:	1-10	7.25	9.51	7.89	
	11-20	7.36	8.32	7.47	
	21-31	7.43	8.59	7.53	
August:	1-10	7.39	7.33	6.47	
	11-20	6.11	8.07	8.39	
	21-31	6.65	7.43	13.29	
September:	1-10	6.26	8.13	12.76	
	11-20	7.21	8.52	10.63	
	21-30	6.55	6.03	9.49	
October:	1-10	7.52	7.83	7.44	
	11-20	7.56	7.07	6.27	
	21-31	7.45	7.70	6.75	
November:	1-10	6.96	6.60	6.04	
	11-20	6.55	8.44	6.66	
	21-30	7.62	6.57	6.70	
December:	1-10	7.30	8.75	7.72	
	11-20	8.09	7.96	6.74	
	21-31	8.48	8.19	10.38	

Note: Dealer sales exclude exports and foreign-model cars (unless manufactured domestically.) Data from Ward's Automotive Reports are seasonally adjusted by The Conference Board. Prior data available upon request.

Domestic-Model Car Sales



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Statistical Reference Index
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STATISTICAL BULLETIN

Volume 19, No. 7, July, 1986

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The Conference Board
70th Anniversary

THE CONFERENCE BOARD'S STATISTICAL BULLETIN COMMENTARY

* CONSUMER SPENDING REMAINS BOUYANT
* BUT BUSINESS INVESTMENT IS DECLINING
* INDUSTRIAL OUTPUT STILL FALLING
* EVEN THOUGH MANUFACTURED EXPORTS ARE ON THE RISE
* JOB GROWTH IS SLOWING
* NOW, INTEREST RATES ARE BEING CUT AGAIN
* OUTLOOK * THE FORECASTERS STILL SEE A BRIGHT SECOND
HALF OF 1986, AFTER A VERY SLUGGISH FIRST HALF

OVERVIEW: Growing doubts about a resurgence of economic growth developing in the second half of 1986 led the Federal Reserve to cut the discount rate in early July. It remains to be seen whether that move will be the key, opening the door to a faster pace of activity.

To review, this expansion—now 4½ years old—has received megadoses of stimulus: a large dose of fiscal stimulus from the more than $200 billion Federal Budget deficit; a large dose of monetary stimulus from strong money growth and earlier interest-rate cuts; a generally narrowing trade deficit; rising manufactured exports; and finally, sharply lower energy prices. Yet, industrial output keeps slipping and there is no sign that new orders have stopped falling. Job growth has fallen, as has labor-force participation.

Despite repeatedly asserted misgivings about a possible, negative effect on the dollar or capital inflow, The Fed launched a new round of interest-rate reduction in early July in an obvious attempt to buttress flagging industrial production. Will it work? Will the economy strengthen in the second half? The **Economic Forecasts**, though answering "yes," have hedged a little. Two months ago, the median forecast for real GNP growth over the 4-quarter span ending in the fourth quarter of 1986 was 3.9 percent. This month—before the cut in the discount rate was announced, the median was down to 3.1 percent.

DOMESTIC MARKET MONITOR

The labor market is sending out some conflicting signals. Job growth has slowed. Hours worked have not risen much. At least some unemployed jobseekers seem to have stopped looking for work. Yet, The Conference Board's **Help-wanted Index**, a measure of labor demand, may finally be on an upturn.

The most positive labor-market development of late is an apparent rise in job advertising. The Conference Board's **Help-wanted Index** had declined to 128 (1967 = 100) in May, from 145 in December. Early returns to the June survey, however, indicate that a good deal of this loss may have been recovered. That might signal an improvement in job growth over the next few months.

The most negative aspect of recent labor-market developments is the drop in adult, labor-force participation. The adult-female labor force was 1.8% higher in June than 3 months earlier. The adult-male labor force was 0.8% lower. That disparity may indicate that a number of out-of-work men have simply given up trying to find a job.

The weakness in hiring is concentrated in manufacturing industries. Total factory employment was 0.6% lower in June than 3 months earlier. With that drop, and a shortened workweek, total manufacturing hours worked were 2.4% lower in June than 3 months earlier. However, nonmanufacturing hours have been rising quite slowly: only 0.6% higher in June than last December. Thus, not all of the weakness in the labor market has been strictly confined to the industrial sector.

Slow job growth, meager overall gains in hours worked and no significant change in hourly pay have resulted in only modest increases, at best, in wage income. To be sure, wage income in government was 1.4% higher in May than 3 months earlier, while wages in private business and health services were 2.1% higher. Elsewhere, wage income has been flat. But nonwage income was 2% higher, principally due to gains in rents, dividends and shopkeepers' income. That money, however, is generally not spent on furniture and appliances.

Yet, despite a lackluster pace of income gains and slow growth in borrowings, consumer spending remains reasonably strong. To be sure, retail sales were 0.1% lower in May than 3 months earlier. But nondurable goods were 1.7% lower due, in part, to a lower cost of gasoline and electricity. Durable-goods sales were 1.7% higher. In particular, furniture and appliances sales were 3.8% higher. That buying had been expected to pick up in the wake of strong home buying in recent months. Thus, the impetus driving strong home sales may be seeping into other areas.

Car buying has also apparently been stimulated: Selected price cuts and reduced financing on some models have given a lift to new domestic **Automobile Sales**. Seasonally-

Ken Goldstein, Editor

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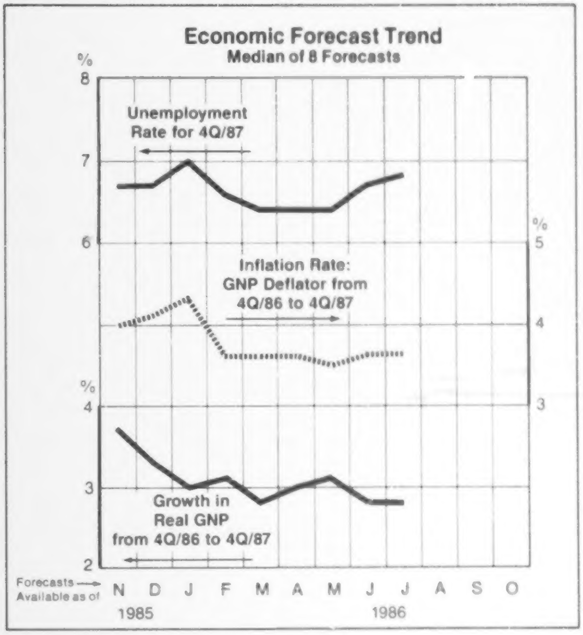


adjusted sales reached an annualized rate of 8½ million in May—the strongest pace since January.

Declining mortgage rates are still stimulating some areas of home buying and construction. New single-family home sales were 3.1% higher in May than 3 months earlier—despite declines in April and May. Single-unit construction was unchanged in May, after a torrid 4-month surge. But single-unit permits fell 3.6% in May. Multi-unit starts were off 20%, and permits were down 7.9% in May. Uncertainty over how the new tax code will treat rental income may be affecting multi-unit construction.

Given the stagnant conditions in factories, investment has slowed. Industrial production declined or was flat in each of the first 6 months of this year. By June, it was 2% lower than in December. The capacity utilization numbers show that more plant and equipment now stands idle. The Conference Board's survey of **Capital Appropriations and Expenditures** by the nation's 1,000 largest manufacturers shows that plant and equipment spending fell in the first quarter. Nonresidential construction continued to decline in the second quarter. Further, the survey indicated that manufacturing executives expect their capital spending to rise only by 2% this year. Three months earlier, those executives expected to spend 8% more this year than last.

The poor outlook for capital spending does not reflect declining business confidence. In fact, The Conference Board's survey of **Business Executives' Expectations** indicated a slight rise in attitudes in the first quarter that was sustained in the second quarter. Moreover—with exceptions in retail trade, business services and insurance—manufacturers are about as positive in outlook as executives in other sectors. Thus, there is widespread confidence in continued economic expansion. But along with it, there is widespread concern that capital investment will not benefit much from that expansion—at least not this year.

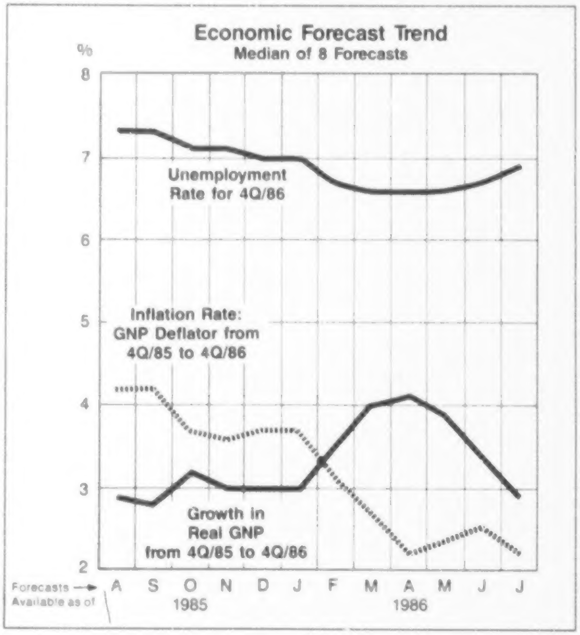
INTERNATIONAL MONITOR

Imports surged in May: 4.7% higher than 3 months earlier, despite a 27.2% drop in the dollar volume of fuel shipments. Manufactured imports were 7.8% higher. Transport equipment from Japan was 36.4% higher. Agricultural shipments were 13.7% higher.

While total exports have dipped, exports of manufactured products continue to rise. Fuel exports were 19.6% lower in May than 3 months earlier. Agricultural shipments were 23.9% lower. Manufactured goods were 10.7% higher, despite a 2.4% drop in nonelectric machinery and a 12.4% decline in aircraft and parts. Exports to EEC countries were 6.9% higher and exports to Japan were 8.1% higher. Lack of strong growth in other developed market economies, however, is limiting the rise in manufactured exports.

There has been concern about how far and fast the dollar has fallen. The trade-weighted average **Exchange Rate** of the dollar against other major currencies was 0.9% higher in June than May. Though the dollar has dropped sharply against the yen, it has not declined against some other Pacific-basin currencies, nor against the Canadian dollar.

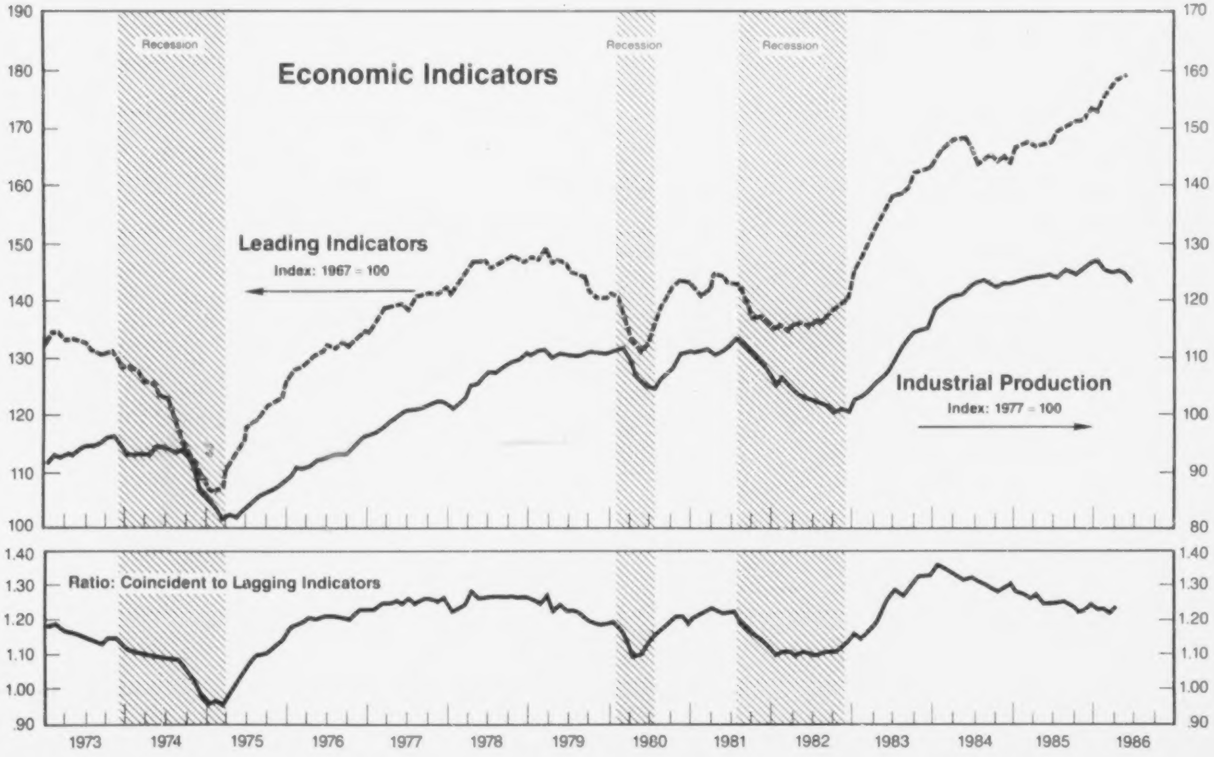
Ken Goldstein
July 15, 1986



STATUS OF LEADING ECONOMIC INDICATORS

		Rising	Level	Declining	Change over latest three months	Change From Year-Ago
		(Classification based on movement of series over several months)				
Leading Economic Indicators	May	X			2.0%	7.0%
Capital Investment Commitments						
*Contracts and orders, plant & equipment (deflated)	May		X		– 9.0%	– 0.6%
New orders, nondefense capital goods (deflated)	May		X		– 9.2%	4.2%
*New business formation	May		X		– 1.2%	4.7%
*Housing permits	May		X		– 1.1%	3.6%
Inventory Investment and Purchasing						
*New orders, consumer goods & materials (deflated)	May		X		– 4.2%	– 0.0%
*Change in inventory, on hand & order (deflated)	Apr.	X			14.8%	26.8%
Purchasing agents' buying policy	June	X			2.0%	– 2.0%
*Vendor performance, reported slower deliveries	May	X			7.0%	11.0%
Industrial raw materials prices	June		X		0.6%	– 7.6%
*Change in sensitive material prices	May		X		– 0.1%	– 0.0%
Sensitive Financial Flows						
*Money balance (M2 deflated)	May	X			3.3%	6.3%
Change in business loans	May	X			78.9%	0.4%
*Change in credit outstanding	May		X		5.1%	– 2.3%
Change in consumer installment debt	Apr.			X	– 42.0%	– 40.7%
Profitability						
Total corporate profits, after tax (deflated)	1st Q			X	– 7.8%	– 2.4%
*Common stock prices	June	X			5.3%	29.6%
Marginal Employment Adjustments						
*Average workweek, mfg.	June		X		– 0.1hr	0.2hr
*Initial unemployment claims (inverted)	June	X			5.9%	5.6%

Note: For a description of the Leading Indicators Composite Index see Bureau of Economic Analysis, *Handbook of Cyclical Indicators*, (Washington. D.C.: Government Printing Office) June, 1977.
*These twelve series make up the Composite Leading Index charted below.



CONFERENCE BOARD DIFFUSION INDEXES

	1985	1986			
DIFFUSION INDEXES	May.	Feb.	Mar.	Apr.	May(e)
Principal Diffusion Index	52.4	54.6	51.9r	54.7r	50.9
Auxillary Diffusion Index	44.0	33.5	40.9r	59.4r	37.6
Industrial Group	51.9	53.5	51.6r	53.2r	47.5
Nonindustrial Group	52.8	55.8	52.1	56.3r	54.4
Sense of Diffusion	1	1	1	1	0
SUBGROUP DIFFUSION INDEXES					
Industrial Subgroups					
Production	45.7	62.4	57.3r	63.2r	58.1
Labor	59.0	52.4	51.4r	53.8r	45.0
Miscellaneous	43.6	42.9	43.6	36.5	37.8
Nonindustrial Subgroups					
Prices	44.9	54.5	54.5	53.8	61.5
Consumer	65.4	67.9	63.2	69.2r	64.5
Building	56.1	49.4	41.3	50.0	42.9
Miscellaneous	43.4	48.7	46.6	49.1r	47.0

Note: The principal diffusion index reflects the frequency of rises in 20 component series over the 12-month period ending in the month indicated. The index is based on the direction of change, not the magnitude of change, from month to month. Each component series carries equal weight in the index, but the direction of recent changes is weighted more heavily than are earlier changes. If, for example, 10 component series rose and 10 declined in each of the last 12 months, the current index would be higher than 50 because the data over the latest six-month period are weighted more heavily than data from the earlier six-month period. On the other hand, if all 20 series rose in each of the last six months, after declining in each of the prior six months, weighting would make the current index considerably greater than 50. See Morton Ehrlich, "Using The Conference Board's Diffusion Indexes," The Conference Board *RECORD*, July, 1966.

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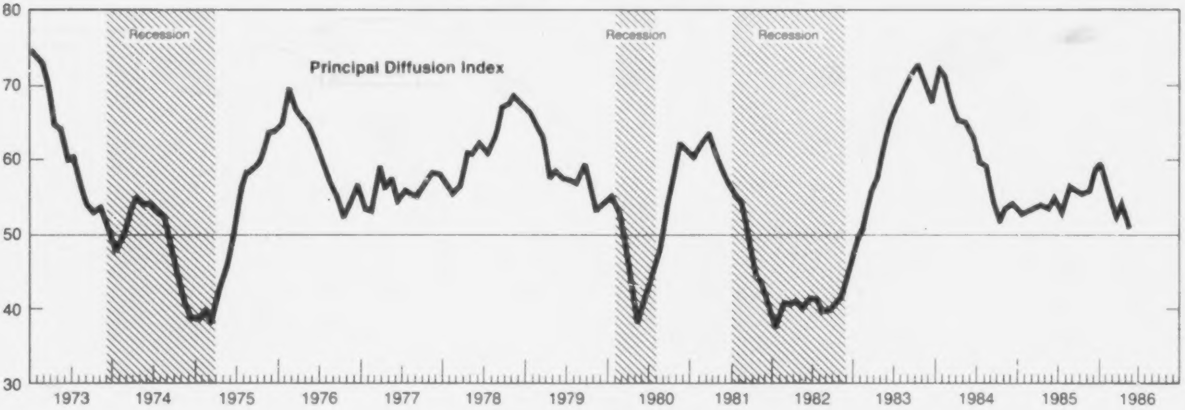
The Conference Board Diffusion Index



BUSINESS EXECUTIVES' EXPECTATIONS

	1983	*1984*				*1985*				*1986*	
	Nov.	*Feb.*	*May*	*Aug.*	*Nov.*	*Feb.*	*May*	*Aug.*	*Nov.*	*Feb.*	*May*
	Score (scale 0-100)										
Measure of Business Confidence	74	70	65	61	57	61	52	51	55	61	61
1. Appraisal of Current Economic Conditions Compared With Six Months Ago	80	76	75	70	57	62	48	45	53	63	61
2. Expectations for Economy, Six Months Ahead	73	67	60	57	57	61	53	53	56	62	62
3. Expectations for Own Industry, Six Months Ahead	70	67	61	57	58	61	55	54	56	59	60

The Measure of Business Confidence is the average of the scores for the three primary questions in the survey. Respondents have five reply options for each question; a score for each question is determined by assigning the following values to the replies and calculating the average value of the replies to the question: Substantially Better—100; Moderately Better—75; Same—50; Moderately Worse—25; Substantially Worse—0. The score for each question,and the overall Measure of Business Confidence, thus can range from 0 to 100.

CONFERENCE BOARD ESTIMATES OF CAPITAL APPROPRIATIONS AND EXPENDITURES BY MANUFACTURERS AND INVESTOR-OWNED UTILITIES

Billions of Dollars, Seasonally Adjusted

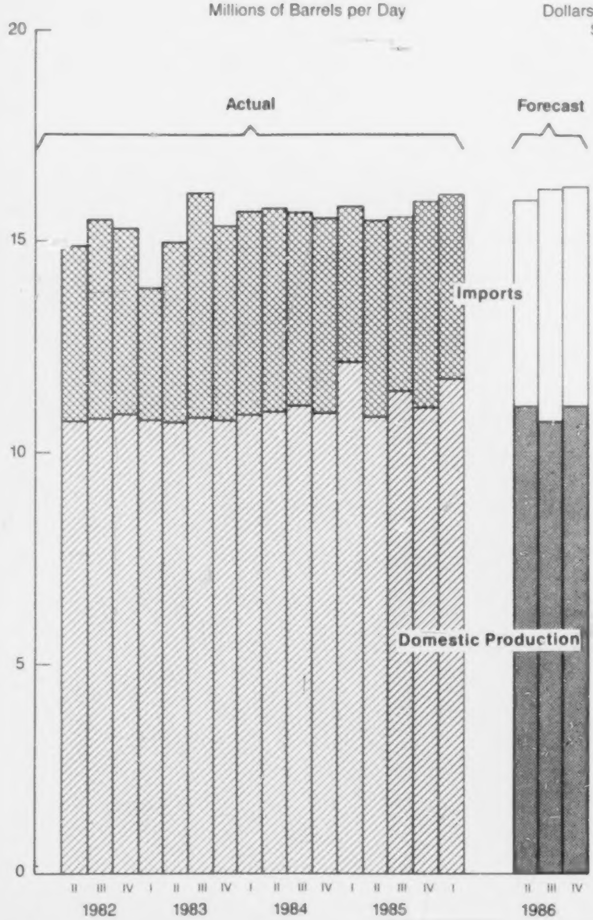
	1984		1985				1986	Percent Change From Previous Year	
	III	IV	Ir	IIr	IIIr	IVp	Ip	1985 Actual	1986 Estimate
1000 LARGEST MANUFACTURING FIRMS									
New appropriations	27.309	29.100	29.938	27.560	24.167	27.190	24.504	– 8	– 4
Capital expenditures	23.034	24.587	23.354	24.911	24.730	26.336	23.922	10	2
Change in appropriations backlog*	+2.885	+2.302	+4.984	+0.529	–2.702	–2.594	–1.957		
Durable Goods									
New appropriations	12.742	15.072	16.737	10.910	12.031	12.005	12.651	– 13	4
Capital expenditures	11.101	12.223	11.648	12.814	12.299	12.676	11.719	15	5
Change in appropriations backlog*	+1.107	+1.797	+4.154	–2.515	–1.094	–3.063	–0.902		
Nondurable Goods									
New appropriations	14.567	14.028	13.201	16.650	12.136	15.185	11.853	– 2	–12
Capital expenditures	11.933	12.364	11.706	12.097	12.431	13.660	12.203	6	– 2
Change in appropriations backlog*	+1.778	+0.505	+0.830	+3.044	–1.608	+0.469	–1.055		
ELECTRIC & GAS UTILITIES									
New appropriations	9.863	11.554	9.283	15.037	4.907	8.541	10.001	9	
Capital expenditures	9.212	9.337	8.925	9.248	8.952	8.333	9.263	– 3	
Change in appropriations backlog*	–1.607	–3.147	+0.293	+4.723	–5.052	–0.272	+0.523		

Available on request: Historical data from 1953 (manufacturing) and from 1958 (utilities), and quarterly reports containing text and data for 17 separate manufacturing industries, electric and gas utilities.

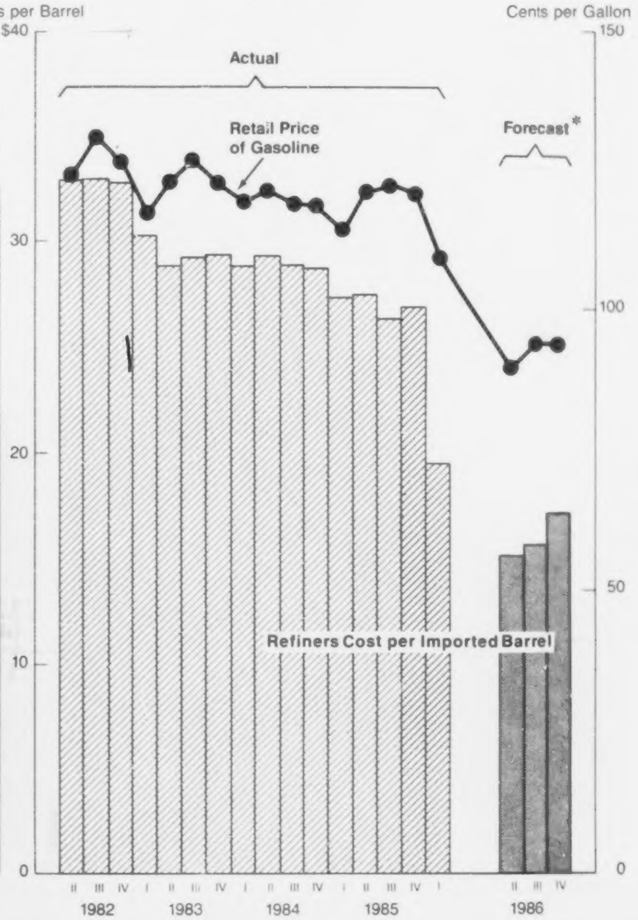
r—revised p—preliminary

* Change in Backlog = New Appropriations – (Expenditures + Cancellations and Other Adjustments).

Oil Supply

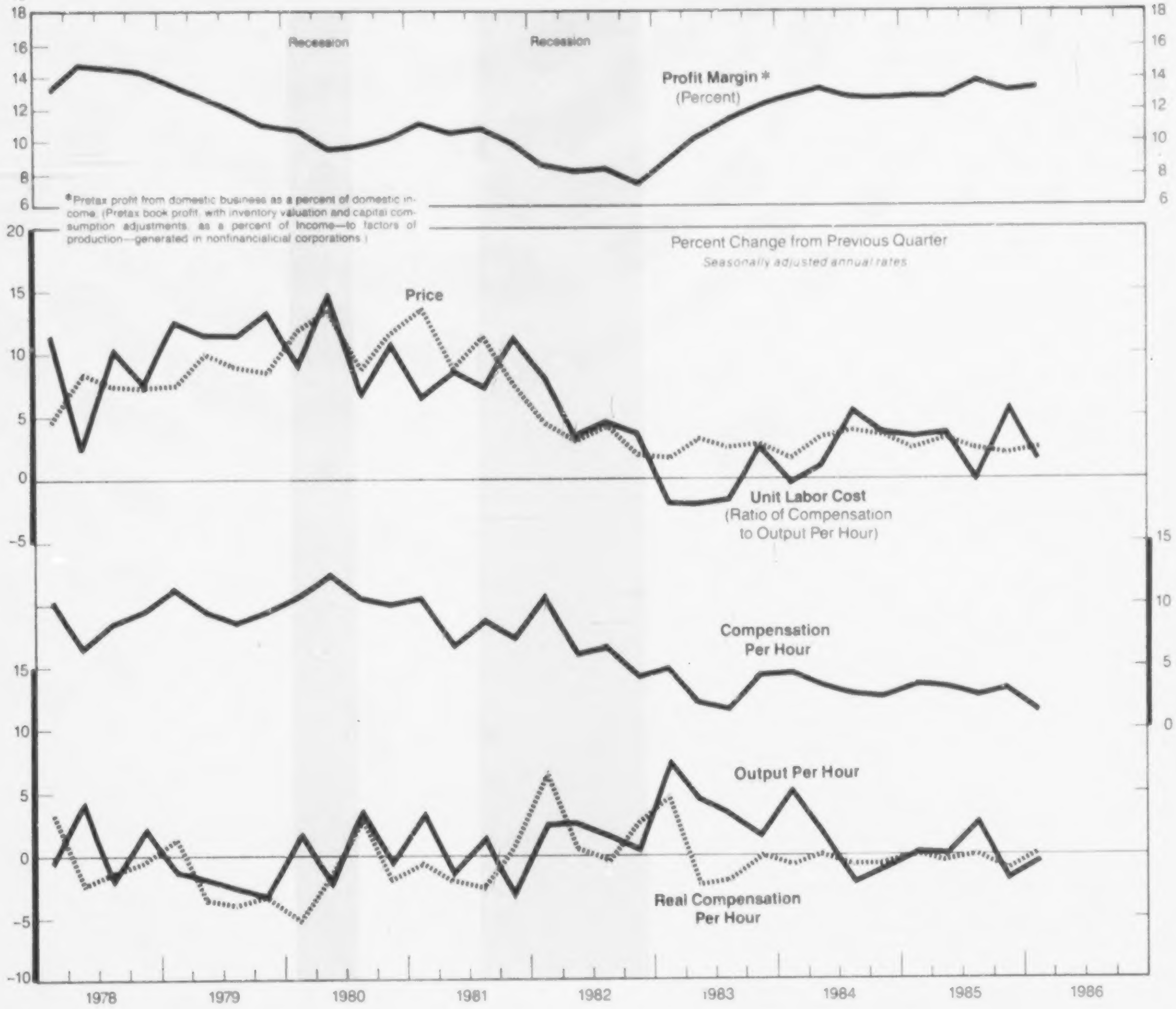


Oil Price



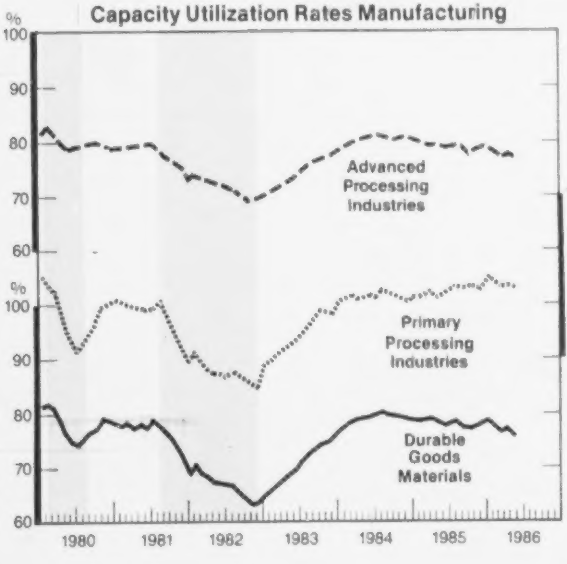
*Source of Forecast is The Energy Information Administration; Department of Energy.

Key Determinants of Profit Margin
Nonfinancial Corporations

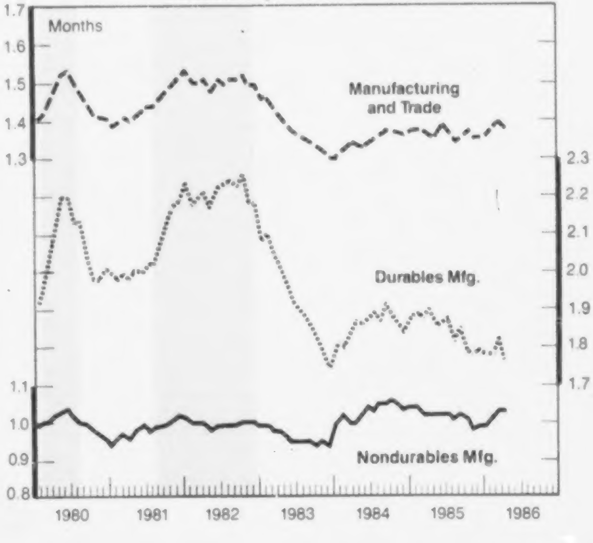


*Pretax profit from domestic business as a percent of domestic income. (Pretax book profit, with inventory valuation and capital consumption adjustments, as a percent of Income—to factors of production—generated in nonfinancialicial corporations.)

Capacity Utilization Rates Manufacturing



Inventory-Sales Ratios



ECONOMIC FORECASTS

			U.C.L.A.[1] Business Forecasting Project		Merrill Lynch[1] Economics Inc.		E.I. duPont[1] de Nemours & Co.		Georgia State University[1]	
Date of Forecast			*June, 1986*		*June, 1986*		*June, 1986*		*June, 1986*	
			Level	*Percent Change*	*Level*	*Percent Change*	*Level*	*Percent Change*	*Level*	*Percent Change*
Gross National Product Billions of Current Dollars										
Actual	**1986**	**I**	**$4115.7**	**5.7%**	**$4115.7**	**5.7%**	**$4115.7**	**5.7%**	**$4115.7**	**5.7%**
		II	4167.2	5.1	4148.9	3.3	4143.9	2.8	4131.4	1.5
		III	4240.0	7.2	4207.5	5.8	4231.9	8.8	4205.0	7.3
		IV	4309.8	6.7	4269.6	6.0	4315.7	8.2	4278.1	7.1
	1987	I	4396.9	8.3	4332.7	6.0	4397.3	7.8	4338.5	5.8
		II	4483.0	8.1	4396.0	6.0	4468.8	6.7	4410.1	6.8
		III	4568.5	7.8	4460.5	6.0	4547.2	7.2	4464.7	5.0
		IV	4656.1	7.9	4523.8	5.8	4619.3	6.5	4515.2	4.6
	1988	I	4764.2	9.6			4677.3	5.1		
		II	4863.3	8.6			4733.1	4.9		
	1986	Annual	4208.2	5.5	4185.4	4.9	4201.8	5.3	4182.6	4.9
	1987	Annual	4526.1	7.6	4428.3	5.8	4508.2	7.3	4432.1	6.0
Gross National Product Billions of Constant (1982) Dollars										
Actual	**1986**	**I**	**$3616.9**	**2.9%**	**$3616.9**	**2.9%**	**$3616.9**	**2.9%**	**$3616.9**	**2.9%**
		II	3648.1	3.5	3634.1	1.9	3651.0	3.8	3630.4	1.5
		III	3691.0	4.8	3680.9	5.3	3696.0	5.0	3662.6	3.6
		IV	3725.5	3.8	3692.2	1.2	3743.0	5.2	3688.0	2.8
	1987	I	3764.9	4.3	3716.2	2.6	3781.0	4.1	3708.1	2.2
		II	3808.1	4.7	3739.7	2.6	3813.0	3.4	3724.7	1.8
		III	3845.1	3.9	3763.2	2.5	3847.0	3.6	3733.1	.9
		IV	3876.7	3.3	3786.2	2.5	3872.0	2.6	3737.7	.5
	1988	I	3912.7	3.8			3888.0	1.7		
		II	3945.0	3.3			3902.0	1.4		
	1986	Annual	3670.4	2.8	3656.0	2.4	3676.7	3.0	3649.5	2.2
	1987	Annual	3823.7	4.2	3751.3	2.6	3828.3	4.1	3725.9	2.1
Gross National Product deflator Index, 1982 = 100										
Actual	**1986**	**I**	**113.8**	**2.7%**	**113.8**	**2.7%**	**113.8**	**2.7%**	**113.8**	**2.7%**
		II	114.2	1.6	114.2	1.3	113.5	−1.0	113.8	.0
		III	114.9	2.3	114.3	.5	114.5	3.6	114.8	3.6
		IV	115.7	2.8	115.6	4.7	115.3	2.8	116.0	4.2
	1987	I	116.8	3.9	116.6	3.3	116.3	3.5	117.0	3.5
		II	117.7	3.2	117.5	3.3	117.2	3.1	118.4	4.9
		III	118.8	3.8	118.5	3.4	118.2	3.5	119.6	4.1
		IV	120.1	4.4	119.5	3.3	119.3	3.8	120.8	4.1
	1988	I	121.8	5.6			120.3	3.4		
		II	123.3	5.1			121.3	3.4		
	1986	Annual	114.6	2.6	114.5	2.5	114.3	2.3	114.6	2.6
	1987	Annual	118.4	3.2	118.0	3.1	117.8	3.0	119.0	3.8
Unemployment Rate										
Actual	**1986**	**I**		**7.1%**		**7.1%**		**7.1%**		**7.1%**
		II		7.0		7.3		7.2		7.2
		III		6.8		7.2		7.1		7.0
		IV		6.7		7.2		7.0		6.9
	1987	I		6.5		7.2		6.8		6.7
		II		6.3		7.2		6.8		6.7
		III		6.2		7.2		6.8		6.6
		IV		6.0		7.2		6.9		6.5
	1988	I		5.9				7.0		
		II		5.8				7.1		
	1986	Annual		6.9		7.2		7.1		7.1
	1987	Annual		6.2		7.2		6.8		6.6

Notes: Percentage changes represent compound annual rates of change from preceding period. Quarterly data are seasonally adjusted.

[1] Based on revised (second revision) first quarter data.

ECONOMIC FORECASTS (continued)

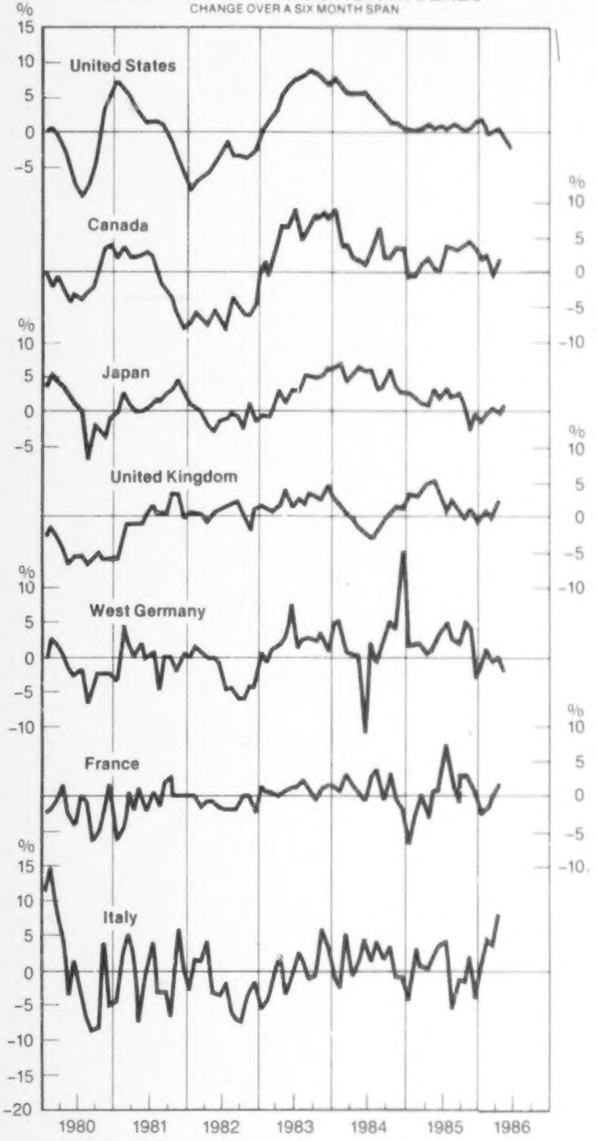
The Conference Board[1]		Chase Econometric[1] Associates, Inc.		Data Resources Inc.[1]		Wharton E.F.A. Inc.[1]				
June, 1986		*June, 1986*		*June, 1986*		*June, 1986*		*Date of Forecast*		
Level	*Percent Change*	*Level*	*Percent Change*	*Level*	*Percent Change*	*Level*	*Percent Change*			
								Gross National Product Billions of Current Dollars		
$4115.7	**5.7%**	**$4115.7**	**5.7%**	**$4115.7**	**5.7%**	**$4115.7**	**5.7%**	**I**	**1986**	**Actual**
4160.0	4.4	4145.9	3.0	4164.4	4.8	4155.5	3.9	II		
4214.0	5.3	4201.5	5.5	4219.1	5.4	4202.1	4.6	III		
4278.0	6.2	4264.8	6.2	4258.6	3.8	4277.4	7.4	IV		
4344.0	6.3	4329.0	6.2	4320.2	5.9	4358.0	7.8	I	1987	
4378.0	3.2	4389.8	5.7	4382.8	5.9	4435.0	7.3	II		
4434.0	5.2	4465.1	7.0	4446.2	5.9	4504.8	6.4	III		
4514.0	7.4	4544.5	7.3	4513.7	6.2	4569.5	5.9	IV		
		4627.9	7.5	4605.3	8.4	4643.2	6.6	I	1988	
		4703.2	6.7	4685.6	7.2	4723.8	7.1	II		
4191.9	5.1	4182.0	4.8	4189.5	5.0	4187.7	5.0	Annual	1986	
4417.5	5.4	4432.1	6.0	4415.7	5.4	4466.8	6.7	Annual	1987	
								Gross National Product Billions of Constant (1982) Dollars		
$3616.9	**2.9%**	**$3616.9**	**2.9%**	**$3616.9**	**2.9%**	**$3616.9**	**2.9%**	**I**	**1986**	**Actual**
3633.2	1.8	3635.9	2.1	3638.8	2.4	3641.5	2.7	II		
3651.4	2.0	3664.0	3.1	3672.5	3.8	3668.2	3.0	III		
3675.0	2.6	3694.7	3.4	3688.3	1.7	3710.1	4.6	IV		
3700.6	2.8	3716.5	2.4	3713.0	2.7	3757.9	5.3	I	1987	
3700.6	.0	3739.3	2.5	3745.4	3.5	3796.2	4.1	II		
3713.6	1.4	3763.8	2.6	3772.6	2.9	3821.9	2.7	III		
3743.0	3.2	3783.3	2.1	3798.0	2.7	3840.7	2.0	IV		
		3812.4	3.1	3832.4	3.7	3862.4	2.3	I	1986	
		3838.8	2.8	3862.8	3.2	3889.5	2.8	II		
3644.1	2.1	3652.9	2.3	3654.1	2.4	3659.2	2.5	Annual	1986	
3714.5	1.9	3750.7	2.7	3757.3	2.8	3804.2	4.0	Annual	1987	
								Gross National Product deflator Index, 1982 = 100		
113.8	**2.7%**	**113.8**	**2.7%**	**113.8**	**2.7%**	**113.8**	**2.7%**	**I**	**1986**	**Actual**
114.5	2.5	114.0	.8	114.4	2.3	114.1	1.1	II		
115.4	3.2	114.7	2.3	114.9	1.5	114.6	1.6	III		
116.4	3.5	115.4	2.7	115.5	2.0	115.3	2.6	IV		
117.4	3.4	116.5	3.7	116.4	3.1	116.0	2.4	I	1987	
118.3	3.2	117.4	3.2	117.0	2.3	116.8	3.0	II		
119.4	3.7	118.6	4.3	117.9	2.9	117.9	3.6	III		
120.6	4.1	120.1	5.1	118.8	3.4	119.0	3.8	IV		
		121.4	4.3	120.2	4.5	120.2	4.2	I	1988	
		122.5	3.8	121.3	3.8	121.5	4.2	II		
115.0	3.0	114.5	2.5	114.6	2.6	114.4	2.4	Annual	1986	
118.9	3.4	118.2	3.2	117.5	2.5	117.4	2.6	Annual	1987	
								Unemployment Rate		
	7.1%		**7.1%**		**7.1%**		**7.1%**	**I**	**1986**	**Actual**
	7.1		7.3		7.2		7.2	II		
	7.3		7.0		7.0		7.2	III		
	7.3		7.1		6.9		6.8	IV		
	7.3		7.0		6.9		6.8	I	1987	
	7.6		7.1		6.8		6.6	II		
	7.8		7.0		6.8		6.5	III		
	7.7		6.9		6.7		6.5	IV		
			6.9		6.6		6.6	I	1988	
			6.8		6.6		6.7	II		
	7.2		7.1		7.1		7.1	Annual	1986	
	7.6		7.0		6.8		6.6	Annual	1987	

Please Note: In the interest of speeding the data contained in this publication to you, these series are available on-line through The Conference Board Data Base. For more information, contact Linette Stein Waters or Ken Goldstein at (212) 759-0900.

SELECTED INTERNATIONAL COMPARISONS

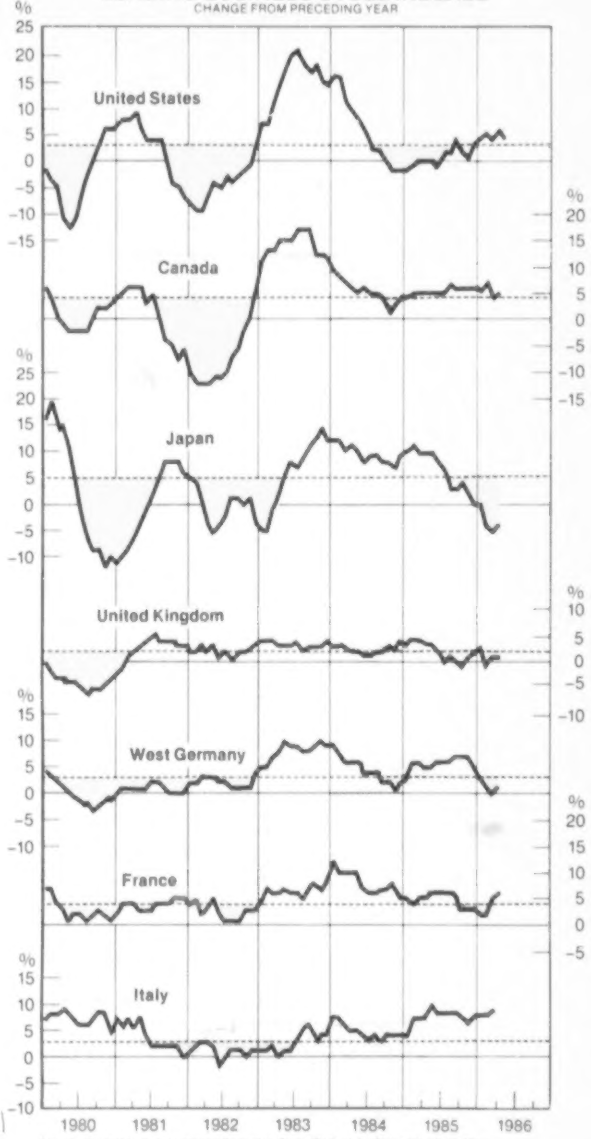
INDUSTRIAL PRODUCTION INDEXES

CHANGE OVER A SIX MONTH SPAN



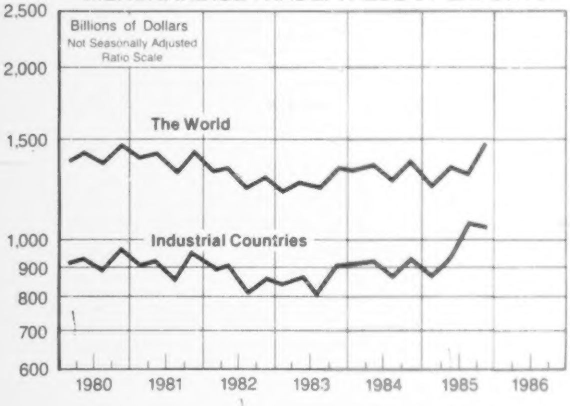
LEADING BUSINESS CYCLE INDEXES

CHANGE FROM PRECEDING YEAR

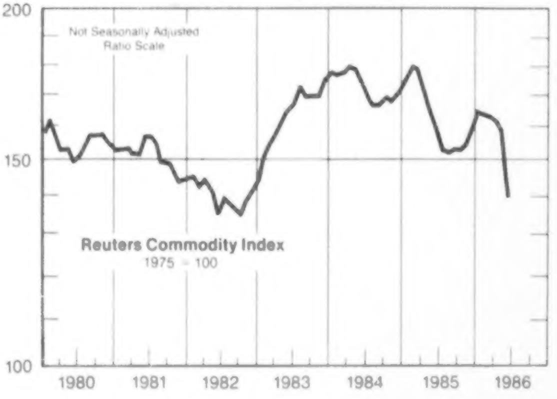


Source: Center for International Business Cycle Research, Columbia University

MERCHANDISE TRADE: VALUE OF EXPORTS

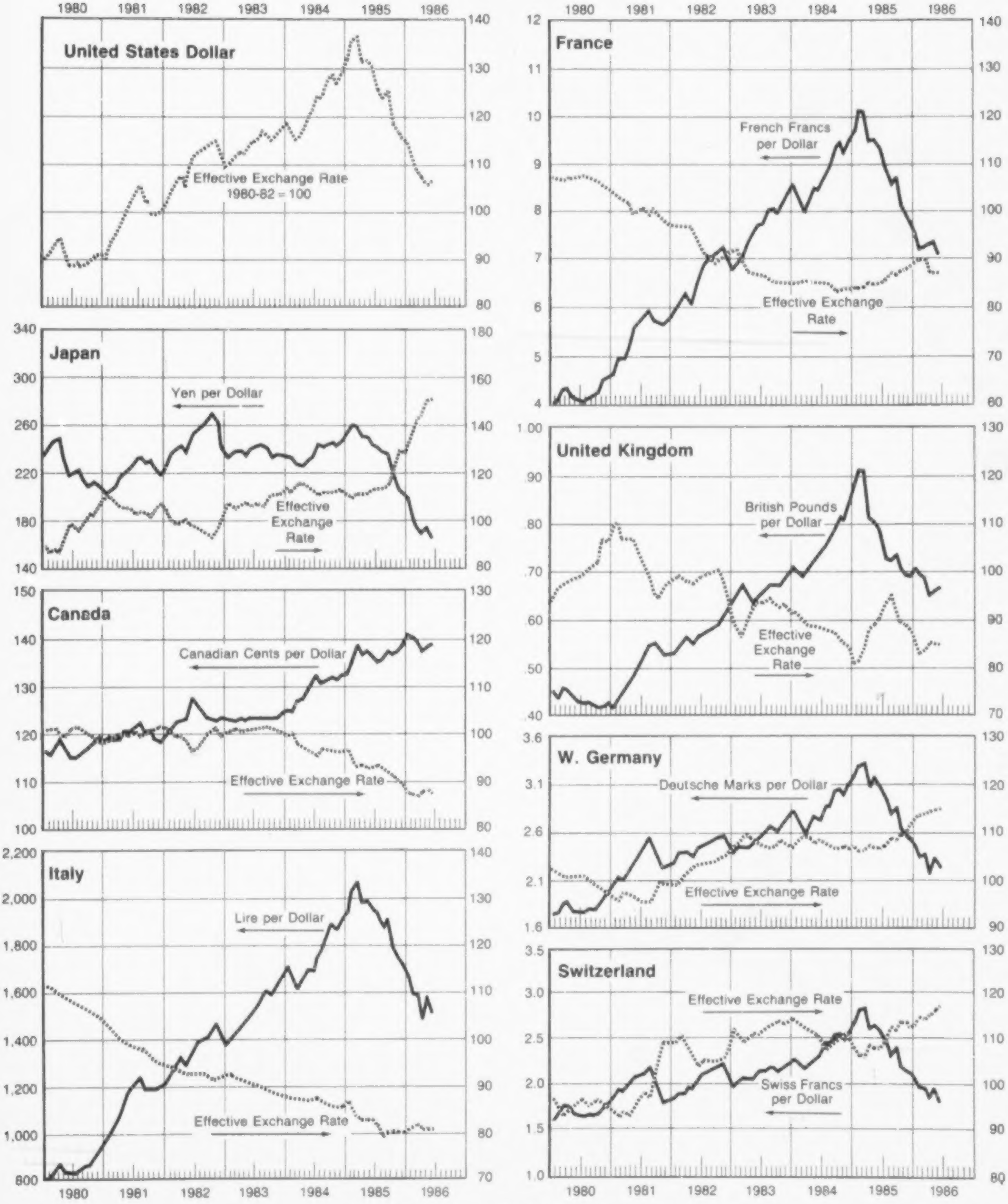


RAW MATERIALS PRICES



Foreign Exchange Rates

Indexes: 1980-82 = 100



Note: Nominal Effective Exchange Rates: Index numbers 1980-82 = 100. Each index shows a currency's trade- using avarages weighted appreciation or depreciation measured against fifteen other major currencies of daily noon spot exchange rates in New York and bilateral trade weights based on 1980 trade in manufactures.

Source: Morgan Guaranty Trust Co.

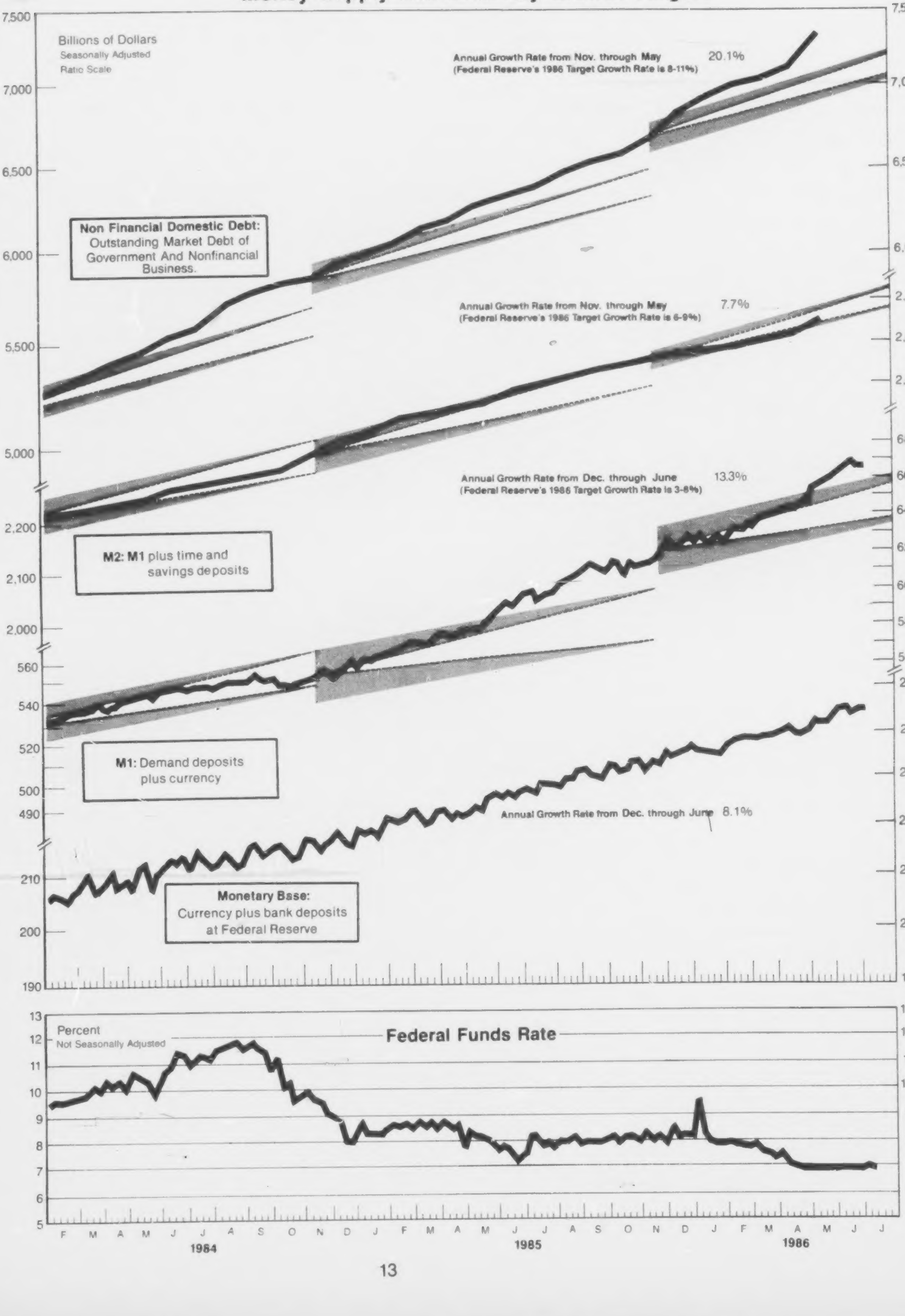
PERSPECTIVE ON THE FEDERAL BUDGET
(Billions of Current Dollars)

	Fiscal 1986		Fiscal 1987		Fiscal 1988	
	Administration's Latest Estimate	Congress's Latest Estimate	Administration's Latest Estimate	Congress's Latest Estimte	Administration's Latest Estimate	Congress's Latest Estimate
	(2/5/86)	(2/26/86)	(2/5/86)	(2/26/86)	(2/5/86)	(2/26/86)
Receipts	**$ 777.1**	**$ 778.7**	**$ 850.4**	**$ 849.9**	**$ 933.2**	**$ 928.1**
Outlays	**979.9**	**983.5**	**994.0**	**1,009.7**	**1,026.8**	**1,060.3**
Deficit	**-202.8**	**-204.7**	**-143.6**	**-159.7**	**- 93.6**	**-132.3**
Receipts by source	**$777.1**	**$778.7**	**$850.4**	**$849.9**	**$933.2**	**$928.1**
Individual income	353.7	354.2	386.0	385.0	425.9	422.0
Social security	280.4	280.8	302.8	302.3	335.0	333.5
Corporate income	70.9	72.2	86.7	89.4	101.2	101.2
Other receipts	72.1	71.5	74.9	73.2	71.1	71.4
Outlays by function	**$979.9**	**$983.5**	**$994.0**	**$1,009.7**	**$1,026.8**	**$1,060.3**
National defense	265.8	269.5	282.2	296.7	299.1	316.6
Social security	268.8	267.9	282.4	282.2	302.1	303.1
Income security	118.1	119.6	118.4	119.5	123.1	123.7
Health	35.7	35.6	35.0	35.1	36.7	36.8
Veterans benefits	26.6	26.7	26.4	26.5	26.9	26.9
Education & manpower	30.7	30.8	27.4	27.3	26.3	26.5
Transportation	27.1	27.5	25.5	25.6	24.1	24.3
Agriculture	25.9	30.4	19.5	21.9	19.7	23.5
International affairs	17.1	17.1	18.6	16.5	18.3	17.5
Natural resources	12.9	12.8	12.0	12.0	11.8	11.9
General science	8.9	8.9	9.2	9.1	9.3	9.4
Justice	6.8	6.8	6.9	7.1	7.0	7.2
General government	6.3	6.0	6.1	6.2	5.7	6.4
Community development	7.9	7.9	6.5	6.3	5.5	5.4
Commerce, Housing credit	3.8	4.2	1.4	3.1	3.8	4.3
Energy	4.4	4.2	4.0	4.4	4.5	4.1
Revenue sharing	6.2	5.8	1.7	1.7	1.8	1.8
Interest	142.7	139.8	148.0	144.7	145.1	152.7
Allowances	0.0	0.0	0.7	0.7	2.3	2.3
Offsetting receipts	-35.2	-37.7	-38.1	-36.8	-46.4	-44.2

ECONOMIC ASSUMPTIONS OF THE BUDGET

GNP						
Current Dollar	**$4,274.0**	**$4,269.0**	**$4,629.0**	**$4,583.0**	**$4,995.0**	**$4.930.0**
Constant (1982) Dollar	**3,695.0**	**3,688.0**	**3,842.0**	**3,803.0**	**3,996.0**	**3,928.0**
Percent change in						
Current dollar	7.0%	6.9%	8.3%	7.3%	7.9%	7.6%
Constant (1982) dollar	3.4	3.2	4.0	3.1	4.0	3.3
Implicit price index	3.5	3.6	4.2	4.1	3.7	4.1
Consumer price index	3.5	3.4	4.1	4.2	3.7	4.4
91-Day T bill rate	7.3	6.8	6.5	6.7	5.6	6.4
Unemployment rate	6.7	6.7	6.5	6.7	6.3	6.5

Money Supply and Monetary Growth Targets



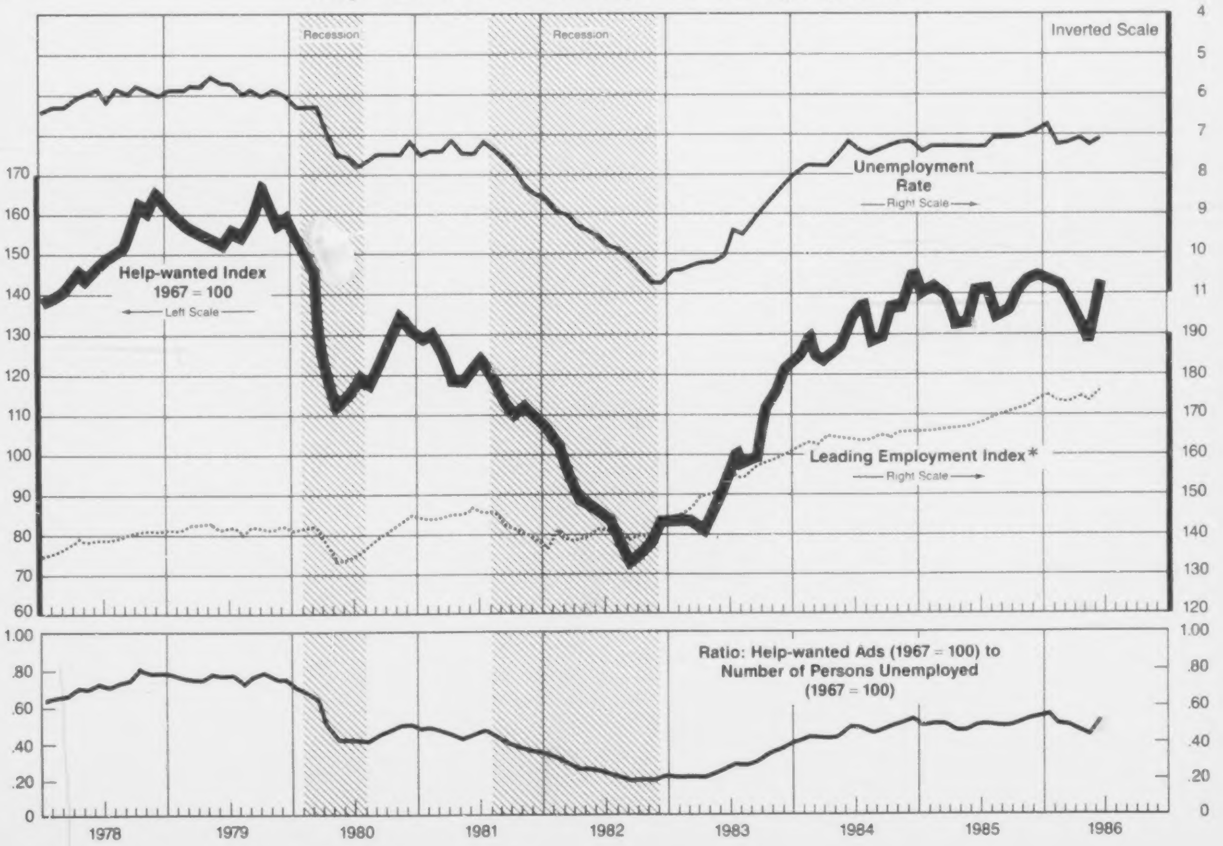
CONFERENCE BOARD HELP-WANTED ADVERTISING INDEXES

Seasonally Adjusted Indexes, 1967 = 100

	1986			1985
Locality	**May**	**Apr.**	**Mar.**	**May**
National Index	128	132	138	132
New England	157	162	158	147
Boston	164	170	169	160
Hartford	164	164	160	145
Providence	125	132	120	102
Middle Atlantic	71	73	71	63
Albany	182	169	136	155
Allentown	197	189	198	158
New York	57	60	56	53
Philadelphia	59	63	62	52
Pittsburgh	75	81	88	64
Rochester	77	81	84	78
Syracuse	120	123	119	104
East North Central	86	90	91	85
Chicago	89	94	94	96
Cincinnati	140	144	141	124
Cleveland	56	59	63	56
Columbus	144	147	155	121
Dayton	82	83	85	79
Detroit	64	67	71	63
Gary	125	112	117	110
Indianapolis	101	98	90	88
Milwaukee	52	56	57	49
Toledo	114	119	116	108
West North Central	82	88	93	82
Kansas City	129	149	156	111
Minneapolis	63	67	70	73
Omaha	108	115	117	114
St. Louis	65	65	70	64
South Atlantic	177	174	189	173
Atlanta	251	263	276	276
Baltimore	195	185	210	194
Charlotte	145	152	159	130
Jacksonville	217	213	219	210
Miami	77	78	95	73r
Richmond	137	129	130	120
Washington, D.C.	167	164	182	158
East South Central	143	156	154	137
Birmingham	152	149	158	141
Knoxville	212	222	207	204
Louisville	80	74	102	89
Memphis	126	125	128	109
Nashville	190	257	211	181
West South Central	163	176	184	236
Dallas	187	202	209	322
Houston	200	224	230	284
New Orleans	95	99	104	103
Oklahoma City	108	102	115	142
San Antonio	167	178	186	213
Tulsa	117	122	137	146
Mountain	269	268	291	315
Denver	157	167	181	194
Phoenix	410	395	439	475
Salt Lake City	285	287	297	326
Pacific	190	197	211	190
Los Angeles	132	140	155	136
Sacramento	279	370	385	348r
San Bernadino	217	230	240	206
San Diego	457	459	467	426r
San Francisco	202	191	210	199
Seattle	189	192	201	179
Percentage of papers with rising volume	27%	24%	33%	45%
Unemployment rate	7.3%	7.1%	7.2%	7.3%

Note: For definitions and method, see Noreen Preston, *The Help-wanted Index* (New York: The Conference Board, 1977).
r—revised N.A.—not available

Help-wanted Advertising and Unemployment



* Source: Center for International Business Cycle Research, Columbia University

CONFERENCE BOARD INDEXES OF CONSUMER CONFIDENCE AND BUYING PLANS

Indexes, 1985 = 100
(Seasonally Adjusted)

Consumer Confidence Index

	Jan.	Feb.	Mar.	Apr.	May	June	July	Aug.	Sept.	Oct.	Nov.	Dec.
1983	59.8	70.1	81.2	81.8	85.9	87.0	87.8	89.9	92.2	93.5	96.7	104.9
1984	105.0	102.0	102.9	103.8	102.0	103.7	98.5	101.6	102.4	101.7	106.1	98.7
1985	103.0	104.0	98.0	101.0	96.6	100.0	101.2	99.6	98.9	99.3	98.7	99.8
1986	97.8	96.9	96.9	99.0	97.2r	97.5p						

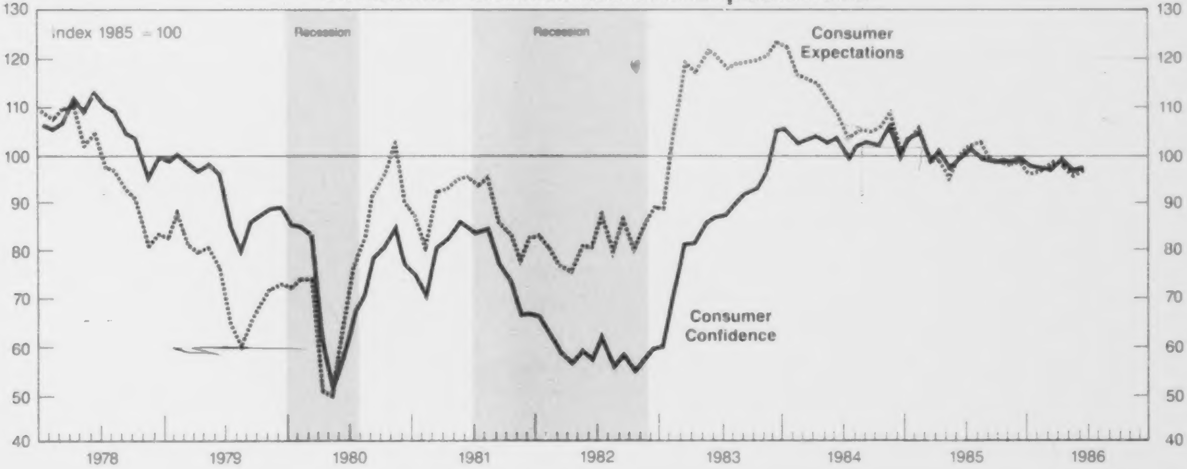
Buying Plans Index

	Jan.	Feb.	Mar.	Apr.	May	June	July	Aug.	Sept.	Oct.	Nov.	Dec.
1983	71.7	71.1	77.5	85.6	84.7	89.0	94.4	85.0	101.6	102.2	99.2	99.3
1984	99.2	98.0	90.7	98.6	102.5	104.9	89.5	95.5	83.5	92.7	96.0	91.9
1985	100.7	98.7	98.4	97.4	89.5	96.3	93.1	98.4	107.3	110.3	101.2	108.8
1986	105.6	103.9	101.9	135.3	108.9r	111.1p						

Confidence Index measures consumer optimism in appraising economic conditions. Buying plans Index is based on intentions to purchase cars, homes, appliances. Expectations Index, (charted below), measures consumer attitudes with regard to business conditions and employment and income levels six months hence. Data prior to May, 1981 based on survey of families. Data after May, 1981 are based on survey of households. A description of these indexes appears in The Conference Board RECORD, September, 1973.

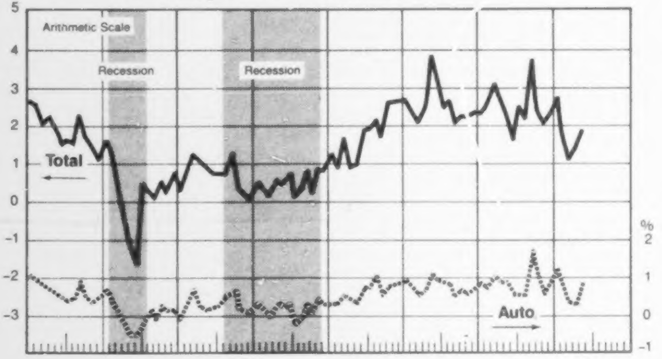
Surveys are conducted by National Family Opinion, Inc. p—preliminary r—revised

Consumer Confidence and Expectations

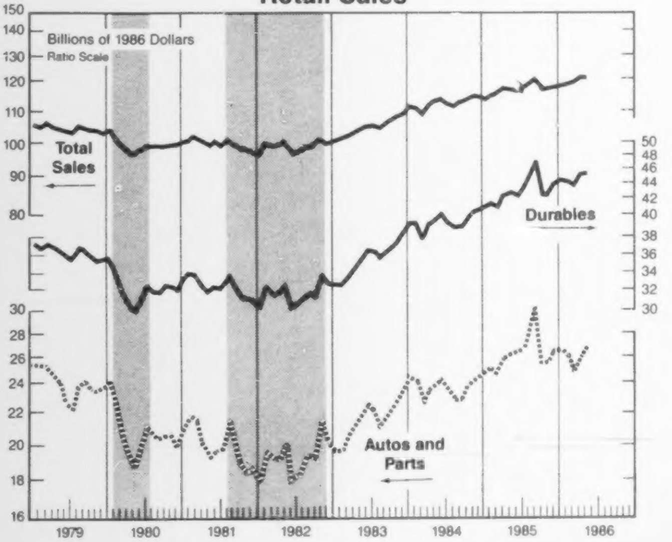


ATTENTION PC USERS: All data in this publication plus extensive government statistics are available on cost-effective diskettes. For more information, contact Linette Waters at (212) 759-0900.

Consumer Installment Debt Expansion ÷ Personal Income



Retail Sales



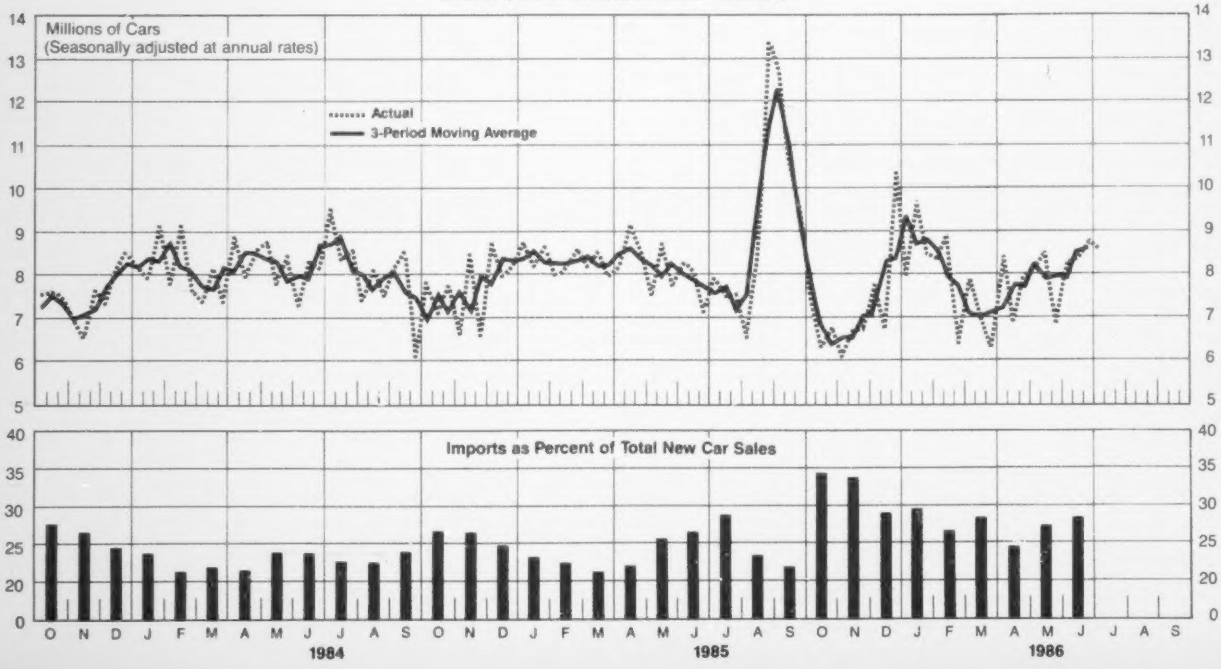
CONFERENCE BOARD ESTIMATES OF NEW AUTO SALES, BY 10-DAY PERIODS

Millions, Seasonally Adjusted at Annual Rate

Periods		1983	1984	1985	1986
January:	1-10	6.17	8.16	8.69	7.97
	11-20	6.20	7.84	8.15	9.63
	21-31	5.60	9.15	8.62	8.40
February:	1-10	5.86	7.79	7.97	8.32
	11-20	5.30	9.17	8.04	8.93
	21-28(29)	6.07	7.60	8.58	6.38
March:	1-10	5.61	7.35	8.14	7.81
	11-20	6.10	8.13	8.44	6.99
	21-31	6.19	7.35	7.94	6.24
April:	1-10	6.69	8.88	8.16	8.39
	11-20	6.52	7.96	9.12	6.97
	21-30	6.35	8.60	8.46	7.96
May:	1-10	6.67	8.75	7.45	8.13
	11-20	6.30	7.74	8.69	8.49
	21-31	6.97	8.43	7.70	6.86
June:	1-10	7.23	7.22	8.21	8.27
	11-20	7.34	8.25	8.02	8.38
	21-30	7.28	8.10	7.16	8.71
July:	1-10	7.25	9.51	7.89	8.59
	11-20	7.36	8.32	7.47	
	21-31	7.43	8.59	7.53	
August:	1-10	7.39	7.33	6.47	
	11-20	6.11	8.07	8.39	
	21-31	6.65	7.43	13.29	
September:	1-10	6.26	8.13	12.76	
	11-20	7.21	8.52	10.63	
	21-30	6.55	6.03	9.49	
October:	1-10	7.52	7.83	7.44	
	11-20	7.56	7.07	6.27	
	21-31	7.45	7.70	6.75	
November:	1-10	6.96	6.60	6.04	
	11-20	6.55	8.44	6.66	
	21-30	7.62	6.57	6.70	
December:	1-10	7.30	8.75	7.72	
	11-20	8.09	7.96	6.74	
	21-31	8.48	8.19	10.38	

Note: Dealer sales exclude exports and foreign-model cars (unless manufactured domestically.) Data from Ward's Automotive Reports are seasonally adjusted by The Conference Board. Prior data available upon request.

Domestic-Model Car Sales



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Bethesda, MD 20814

STATISTICAL BULLETIN

Volume 19, No. 8, August, 1986

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The Conference Board
70th Anniversary

THE CONFERENCE BOARD'S STATISTICAL BULLETIN COMMENTARY

* CONSUMER SPENDING IS STILL EXPANDING
* BUT BUSINESS INVESTMENT IS DECLINING
* MANUFACTURED EXPORTS HAVE TURNED SLUGGISH
* INDUSTRIAL OUTPUT CONTINUES TO WEAKEN
* JOB GROWTH REMAINS SLOW
* NEW ORDERS MAY HAVE STARTED TO REBOUND
* OUTLOOK * THE ONCE BRIGHT FORECAST FOR THE SECOND HALF OF 1986 HAS BEEN REVISED TO A MODERATE THIRD AND FOURTH QUARTERS

OVERVIEW: What a difference 6 months can make! Back in February, the **Economic Forecasts** were saying that the economy would be expanding at a robust 4% pace by now. In fact, there was some concern that the surge in business activity would be accompanied by substantial inventory accumulation. Real output, then, might turn negative for a quarter or two in 1987 as those backlogs were worked down.

Now, six months later, there is little fear of real GNP dropping next year. Inventory accumulation never got underway. Strong GNP growth never materialized. And now the **Economic Forecasts** are indicating that business' sluggish pace is likely to continue right through into the first half of next year.

There are now obvious factors that will induce a faster pace of activity. The early benefits of declining interest rates and energy prices have already made their mark on consumer spending—especially car and home buying. Business investment, conversely, is contracting despite fairly positive attitudes of business executives. Government spending is being reined in by deficit-reduction. Finally, the lower dollar has had only limited impact on foreign trade to date.

The latest cut in the discount rate certainly enhanced growth prospects. But rising consumer demand, not interest-rate reduction, has largely set the pace of expansion so far this year. And with questions about how strong consumer spending will remain, growth prospects appear limited.

DOMESTIC MARKET MONITOR

Poor conditions in the industrial sector are keeping the labor market in low gear. To be sure, The Conference Board's **Help-wanted Index** rebounded in June, after 5 straight declines. But this measure of labor demand remains no better this Summer than last. And the unemployment rate is no lower this Summer than last. In fact, a decline in labor-force participation in recent months has kept the unemployment rate from rising.

Manufacturers have not been hiring and have shortened the workweek. As a result, total hours worked in manufacturing were 0.9% lower in July than 3 months earlier. Nonmanufacturing hours have been rising slowly: only 0.3% higher in July than 3 months earlier. In fact, the only significant rise in hours was in business, health and other services—1% higher in July. Weak labor-market conditions, then, have not strictly been confined to the industrial sector.

The decline in adult-male labor-force participation may indicate that some households are losing confidence in the economic expansion continuing. Yet the consumer attitude survey continues to reflect widespread optimism. The Conference Board's **Consumer Confidence Index** stood at 94.5 (1985 = 100) in July, not much different from readings over the last eighteen months. Oddly, despite the lower participation rate for adult males, there's no appreciable change in the number of survey respondents who say that jobs are hard to find now.

Weak job growth, slow rise in total hours worked and stagnation in hourly pay rates are limiting the rise in personal income. Wages in commodity-producing industries were 0.3% lower in July than 3 months earlier. Wages in other industries were about 1% higher: Government workers received a 1.4% gain and service workers earned 1.4% more. Given the continued slow increase in employment and hours in July, wage income probably continued to rise slowly in that month.

Nonwage income, in contrast, continues to rise sharply: 1.6% higher in June than 3 months earlier. Dividends were 1.9% higher and shopkeepers' income was 3.3% higher. Rental income has been rising quite rapidly.

The trouble is that nonwage income tends to be saved, not spent. Neverthelss, the overall saving rate remains quite low. Nor are consumers prone to increase their debt right now. The ratio of **Consumer Installment Debt Expansion to Personal Income** has been falling steadily since December. Slow income gains, depressed saving rate and little appetite for new debt—except car loans and mortgages—are all factors that may limit the rise in consumer spending.

Ken Goldstein, Editor

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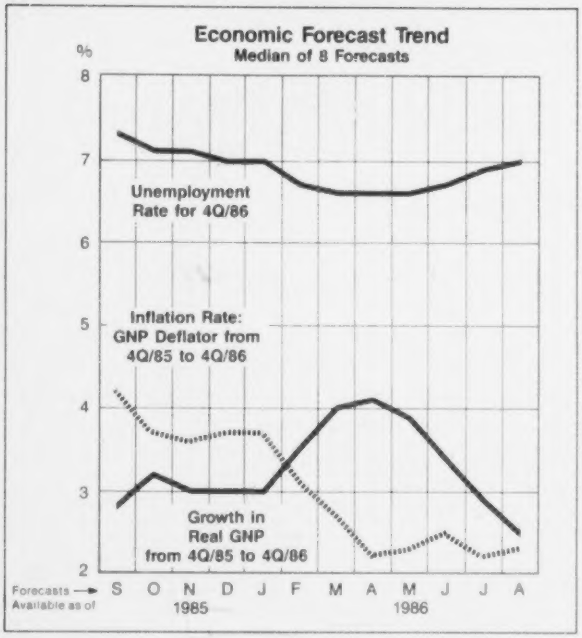


This outlook is crucial because consumer spending has been the mainstay of economic growth in this long expansion—now more than 4 years old. Total consumer spending, deflated, was 1.1% higher in June than 3 months earlier. Spending on durables was 5.5% higher—chiefly due to a rise in buying of cars and parts. Spending on nondurables was 0.1% lower and spending on services was 0.6% higher.

Home buying also remains reasonably brisk. After a sharp increase in March, new single-family home sales dipped in the 3 succeeding months. Still, the 700,000 home sales in June were sufficient to sustain a strong pace of single-unit construction. Despite a sizable decline in multi-unit construction, total housing starts were running close to a 2 million annual rate. Weakness in multi-unit construction may reflect anticipations of proposed tax-law changes in the treatment of rental income. In fact, the recent sharp increases in rents may be an attempt to compensate in advance for prospective rise in tax liability.

While residential construction remains robust, nonresidential building continues to slump. The value of new, nonresidential construction, deflated, was 3.4% lower in June than 3 months earlier. Factory building was down 2.5%; office building was down 8% and commercial building was 9.5% lower. Low occupancy, low capacity utilization and, perhaps, proposed tax-law changes are all factors in this decline in capital investment.

Lower energy prices have helped turn sluggish industrial conditions into an outright decline. Energy production was 3.6% lower in June than 3 months earlier; utility output was 3.9% lower. (Production of consumer goods, however, was only 0.4% lower.) Altogether, industrial production was 1.8% lower in June than it was last December. And July's decline in hours worked suggests that industrial output dipped again that month.

After falling for months, new orders may have finally stopped dropping. Total orders for durable-goods were actually 0.1% higher in June than 3 months earlier. Further, new orders for metals were 5.8% lower—but metal prices, until very recently, had been falling sharply.

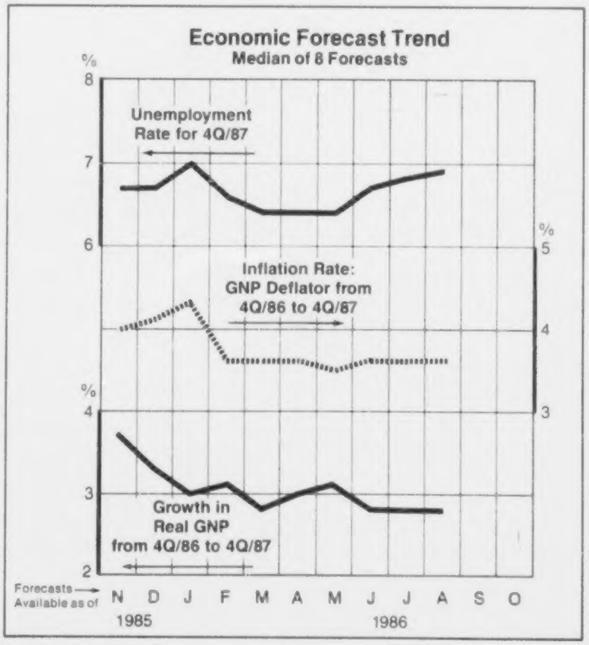
INVENTORY: The other side of the recent decline in new orders has been the lackluster pace of industrial sales. Total sales were 1.4% lower in May than 3 months ago. Total inventory was only 0.2% higher, and that largely represents unsold cars. Thus, despite very limited increases in inventory, the inventory-to-sales ratio inched higher.

PRICES: After a long decline, farm and commodity prices have started to rebound. Livestock prices rose 14% in July. Crop prices also moved higher and, with heat and drought in the Southeast, prices may continue advancing. Raw industrial prices rose 1.6% in July. Oil prices have also firmed, and the OPEC agreement on production may induce some further price recovery.

INTERNATIONAL MONITOR

Exports have dropped sharply. Fuel shipments were 30% lower in June than 3 months earlier. Food shipments declined by an almost equal amount. Manufactured exports were 7.7% lower and the declines extended to most components. Exports to Japan almost doubled over the last 3 months. But exports to EEC countries fell 16 percent. Exports to other developed countries dropped by 38 percent.

Ken Goldstein
August 12, 1986

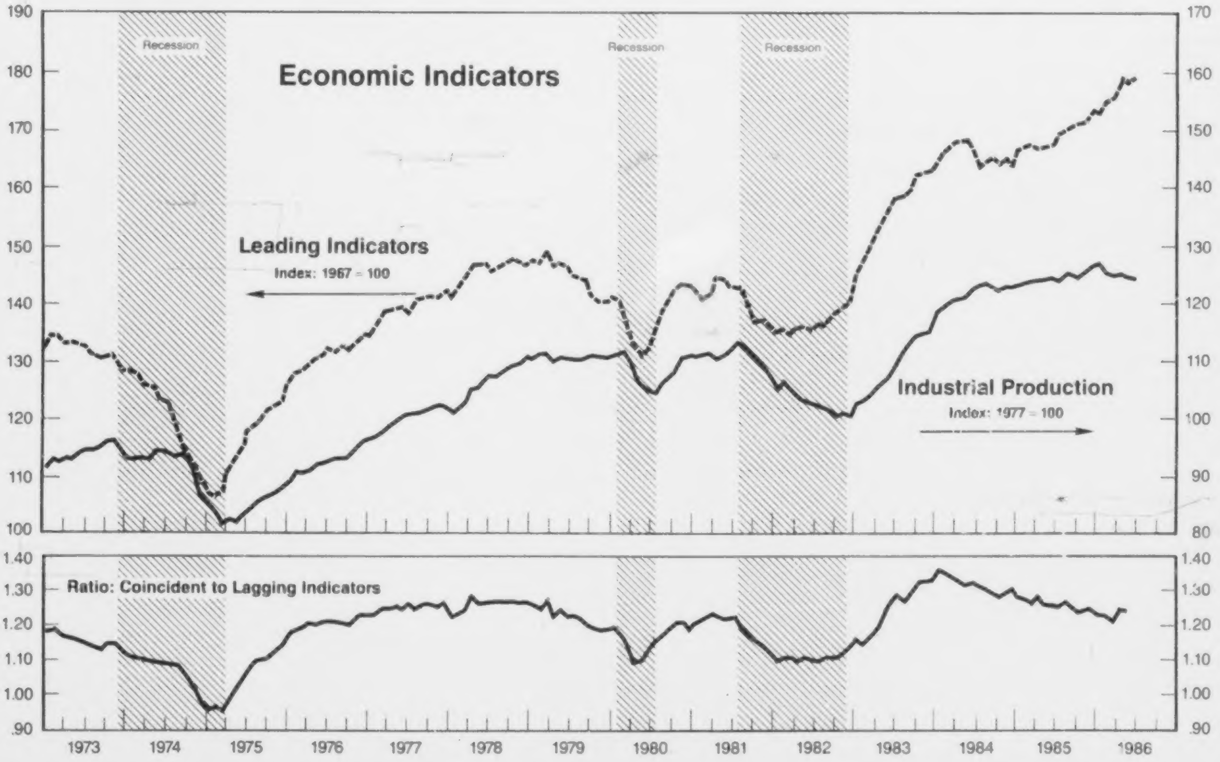


STATUS OF LEADING ECONOMIC INDICATORS

		Rising	Level	Declining	Change over latest three months	Change From Year-Ago
		(Classification based on movement of series over several months)				
Leading Economic Indicators	June	X			1.5%	6.5%
Capital Investment Commitments						
*Contracts and orders, plant & equipment (deflated)	June		X		5.6%	-1.7%
New orders, nondefense capital goods (deflated)	June		X		4.6%	-0.3%
*New business formation	June		X		-1.6%	2.9%
*Housing permits	June		X		-2.3%	4.4%
Inventory Investment and Purchasing						
*New orders, consumer goods & materials (deflated)	June		X		0.5%	1.4%
*Change in inventory, on hand & order (deflated)	May		X		-5.4%	18.7%
Purchasing agents' buying policy	July	X			4.0%	0.0%
*Vendor performance, reported slower deliveries	June	X			0.0%	6.0%
Industrial raw materials prices	July	X			3.5%	-5.5%
*Change in sensitive material prices	June	X			0.7%	0.4%
Sensitive Financial Flows						
*Money balance (M2 deflated)	June	X			2.6%	5.7%
Change in business loans	June		X		25.1%	41.5%
*Change in credit outstanding	June		X		-0.1%	0.0%
Change in consumer installment debt	May		X		3.5%	-11.3%
Profitability						
Total corporate profits, after tax (deflated)	1st Q			X	-4.0%	5.1%
*Common stock prices	July	X			1.8%	25.8%
Marginal Employment Adjustments						
*Average workweek, mfg.	July		X		-0.1hr	0.3hr
*Initial unemployment claims (inverted)	July		X		-2.9%	-1.0%

Note: For a description of the Leading Indicators Composite Index see Bureau of Economic Analysis, *Handbook of Cyclical Indicators*, (Washington. D.C.: Government Printing Office) June, 1977.

*These twelve series make up the Composite Leading index charted below.



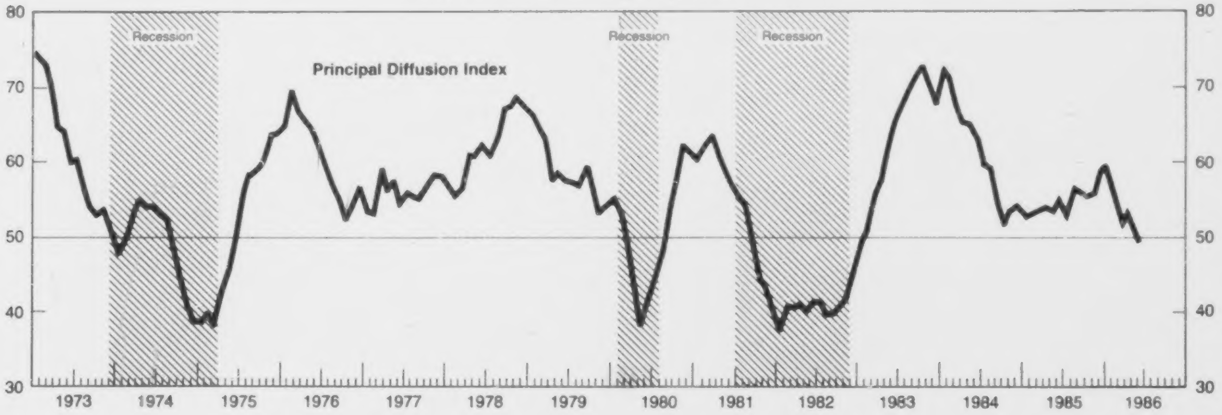
CONFERENCE BOARD DIFFUSION INDEXES

DIFFUSION INDEXES	1985	1986			
	Jun.	Mar.	Apr.	May	Jun.(e)
Principal Diffusion Index	54.8	51.0r	53.9r	51.3r	49.6
Auxillary Diffusion Index	58.6	41.1r	59.6r	41.6r	44.2
Industrial Group	57.0	51.2r	52.8r	46.3r	45.1
Nonindustrial Group	52.6	50.8r	55.1r	50.4r	54.0
Sense of Diffusion	1	1	1	0	0
SUBGROUP DIFFUSION INDEXES					
Industrial Subgroups					
Production	54.7	57.3	63.2	58.1	48.3
Labor	60.1	50.5r	52.9r	45.6r	45.4
Miscellaneous	52.6	43.6	36.5	30.1r	39.7
Nonindustrial Subgroups					
Prices	46.8	54.5	53.8	61.5	68.6
Consumer	60.3	59.0r	65.4r	66.2r	66.2
Building	55.1	41.3	50.0	42.9	35.9
Miscellaneous	47.0	46.6	49.1	52.1r	44.0

Note: The principal diffusion index reflects the frequency of rises in 20 component series over the 12-month period ending in the month indicated. The index is based on the direction of change, not the magnitude of change, from month to month. Each component series carries equal weight in the index, but the direction of recent changes is weighted more heavily than are earlier changes. If, for example, 10 component series rose and 10 declined in each of the last 12 months, the current index would be higher than 50 because the data over the latest six-month period are weighted more heavily than data from the earlier six-month period. On the other hand, if all 20 series rose in each of the last six months, after declining in each of the prior six months, weighting would make the current index considerably greater than 50. See Morton Ehrlich, "Using The Conference Board's Diffusion Indexes," The Conference Board *RECORD*, July, 1966.

e-estimate r-revised

The Conference Board Diffusion Index



BUSINESS EXECUTIVES' EXPECTATIONS

	1983	1984				1985				1986	
	Nov.	Feb.	May	Aug.	Nov.	Feb.	May	Aug.	Nov.	Feb.	May
					Score (scale 0-100)						
Measure of Business Confidence	74	70	65	61	57	61	52	51	55	61	61
1. Appraisal of Current Economic Conditions Compared With Six Months Ago	80	76	75	70	57	62	48	45	53	63	61
2. Expectations for Economy, Six Months Ahead	73	67	60	57	57	61	53	53	56	62	62
3. Expectations for Own Industry, Six Months Ahead	70	67	61	57	58	61	55	54	56	59	60

The Measure of Business Confidence is the average of the scores for the three primary questions in the survey. Respondents have five reply options for each question; a score for each question is determined by assigning the following values to the replies and calculating the average value of the replies to the question: Substantially Better—100; Moderately Better—75; Same—50; Moderately Worse—25; Substantially Worse—0. The score for each question,and the overall Measure of Business Confidence, thus can range from 0 to 100.

CONFERENCE BOARD ESTIMATES OF CAPITAL APPROPRIATIONS AND EXPENDITURES BY MANUFACTURERS AND INVESTOR-OWNED UTILITIES

Billions of Dollars, Seasonally Adjusted

	1984		1985				1986	Percent Change From Previous Year	
	III	IV	Ir	IIr	IIIr	IVp	Ip	1985 Actual	1986 Estimate
1000 LARGEST MANUFACTURING FIRMS									
New appropriations	27.309	29.100	29.938	27.560	24.167	27.190	24.504	- 8	- 4
Capital expenditures	23.034	24.587	23.354	24.911	24.730	26.336	23.922	10	2
Change in appropriations backlog*	+2.885	+2.302	+4.984	+0.529	-2.702	-2.594	-1,957		
Durable Goods									
New appropriations	12.742	15.072	16.737	10.910	12.031	12.005	12.651	- 13	4
Capital expenditures	11.101	12.223	11.648	12.814	12.299	12.676	11.719	15	5
Change in appropriations backlog*	+1.107	+1.797	+4.154	-2.515	-1.094	-3.063	-0.902		
Nondurable Goods									
New appropriations	14.567	14.028	13.201	16.650	12.136	15.185	11.853	- 2	-12
Capital expenditures	11.933	12.364	11.706	12.097	12.431	13.660	12.203	6	- 2
Change in appropriations backlog*	+1.778	+0.505	+0.830	+3.044	-1.608	+0.469	-1.055		
ELECTRIC & GAS UTILITIES									
New appropriations	9.863	11.554	9.283	15.037	4.907	8.541	10.001	9	
Capital expenditures	9.212	9.337	8.925	9.248	8.952	8.333	9.263	- 3	
Change in appropriations backlog*	-1.607	-3.147	+0.293	+4.723	-5.052	-0.272	+0.523		

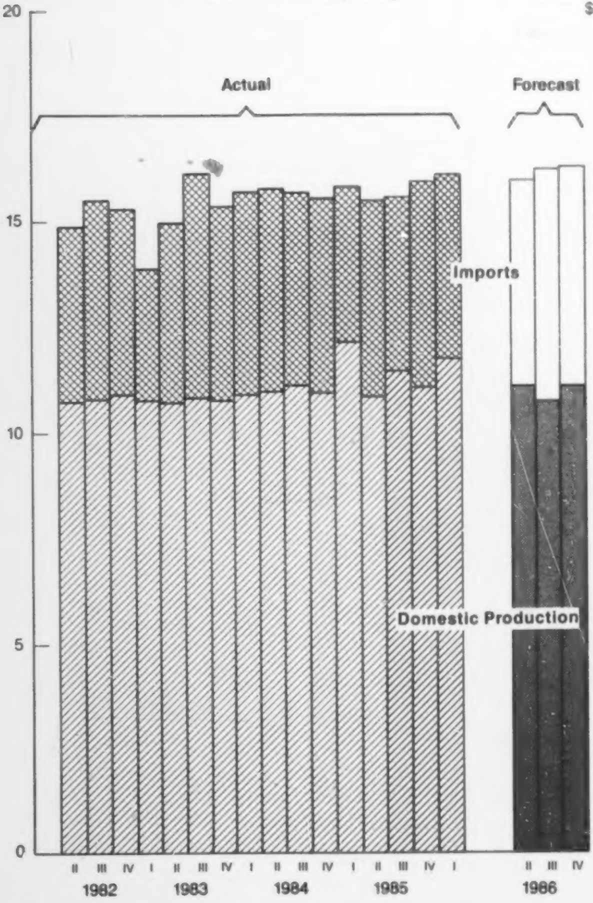
Available on request: Historical data from 1953 (manufacturing) and from 1958 (utilities), and quarterly reports containing text and data for 17 separate manufacturing industries, electric and gas utilities.

r—revised p—preliminary

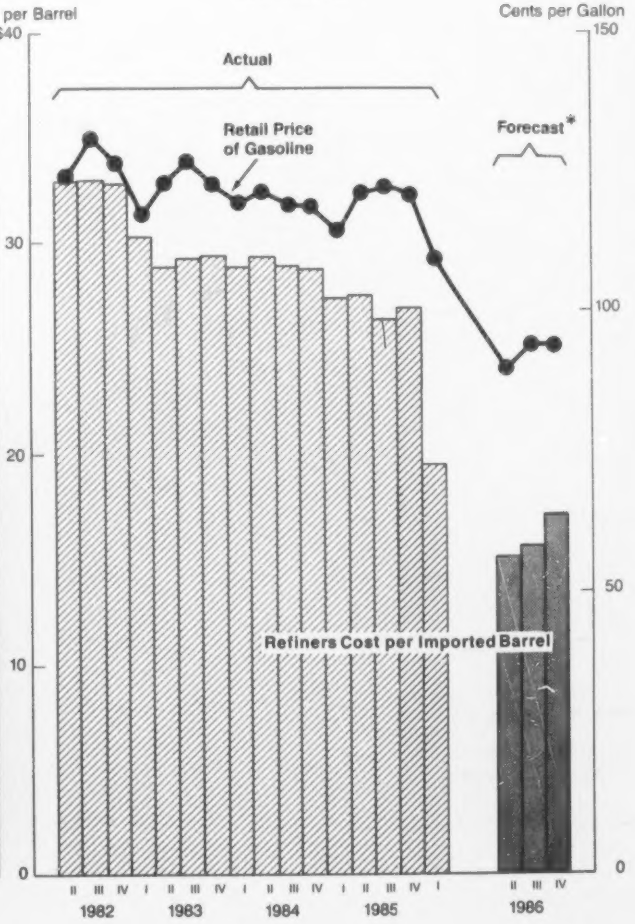
* Change in Backlog = New Appropriations - (Expenditures + Cancellations and Other Adjustments).

Oil Supply

Millions of Barrels per Day



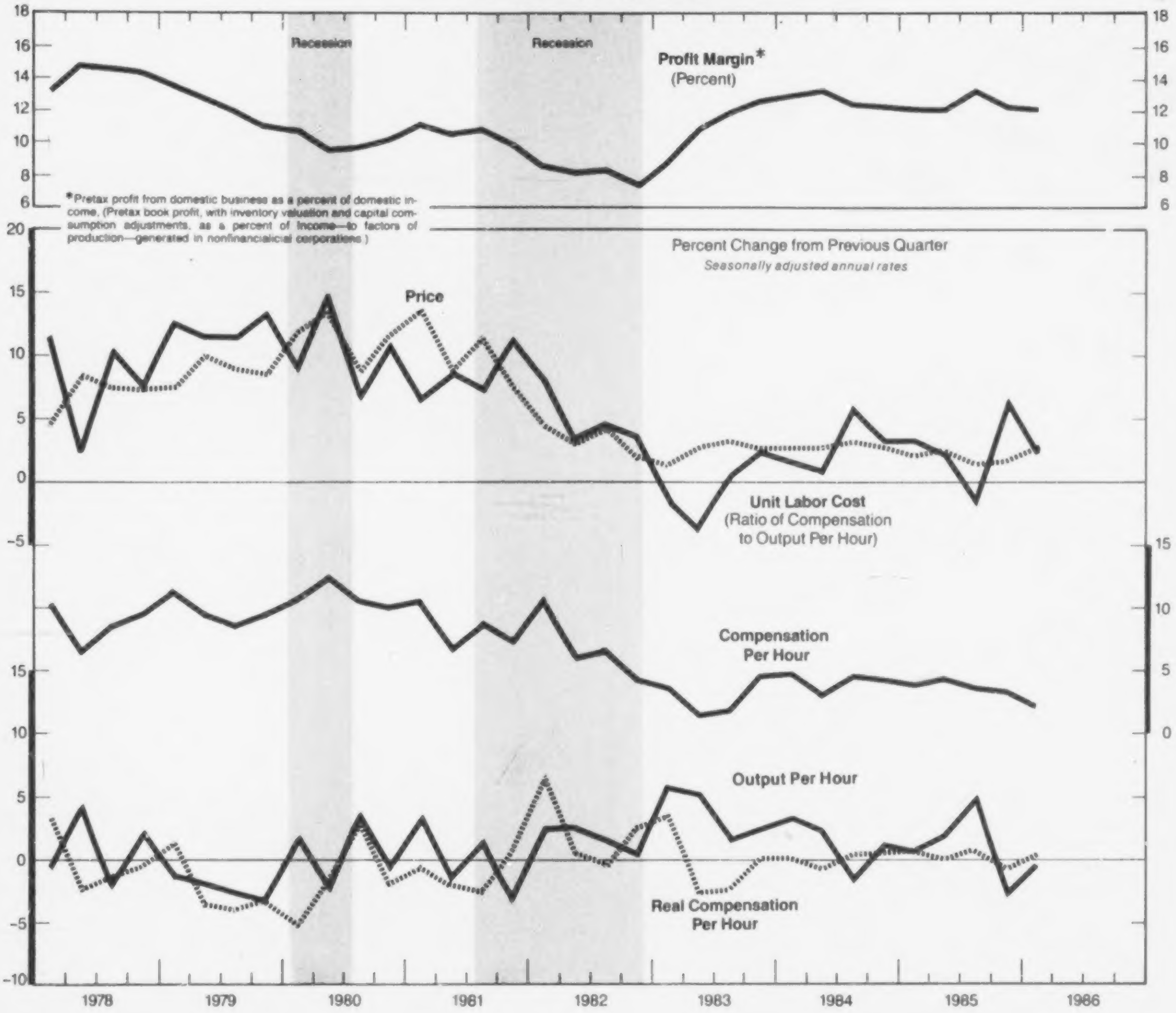
Oil Price



*Source of Forecast is The Energy Information Administration; Department of Energy.

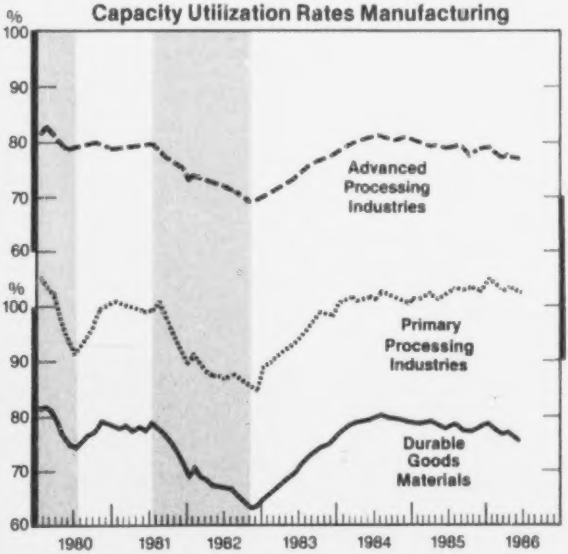
Key Determinants of Profit Margin

Nonfinancial Corporations

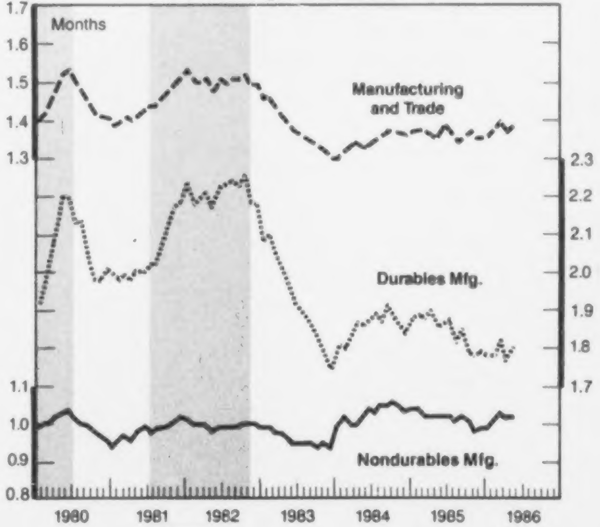


*Pretax profit from domestic business as a percent of domestic income. (Pretax book profit, with inventory valuation and capital consumption adjustments, as a percent of income—to factors of production—generated in nonfinancialicial corporations.)

Capacity Utilization Rates Manufacturing



Inventory-Sales Ratios



ECONOMIC FORECASTS

			U.C.L.A.[1] Business Forecasting Project		Merrill Lynch[1] Economics Inc.		E.I. duPont[1] de Nemours & Co.		Georgia State University[1]	
Date of Forecast			*July, 1986*		*July, 1986*		*July, 1986*		*July, 1986*	
			Level	*Percent Change*	*Level*	*Percent Change*	*Level*	*Percent Change*	*Level*	*Percent Change*
Gross National Product Billions of Current Dollars										
Actual	**1986**	**II**	**$4182.3**	**3.2%**	**$4182.3**	**3.2%**	**$4182.3**	**3.2%**	**$4182.3**	**3.2%**
		III	4237.0	5.3	4231.6	4.8	4236.5	5.3	4235.9	5.2
		IV	4290.2	5.1	4251.8	1.9	4301.0	6.2	4287.6	5.0
	1987	I	4366.0	7.3	4287.1	3.4	4383.6	7.9	4347.6	5.7
		II	4452.9	8.2	4358.2	6.8	4468.2	7.9	4414.1	6.3
		III	4535.3	7.6	4418.3	5.6	4551.6	7.7	4473.9	5.5
		IV	4625.2	8.2	4483.0	6.0	4628.5	6.9	4522.2	4.4
	1988	I	4736.7	10.0						
		II	4841.1	9.1						
		III	4917.6	6.5						
	1986	Annual	4214.7	5.4	4203.7	5.1	4217.3	5.5	4213.8	5.4
	1987	Annual	4494.9	6.6	4386.7	4.4	4508.0	6.9	4439.5	5.4
Gross National Product Billions of Constant (1982) Dollars										
Actual	**1986**	**II**	**$3665.7**	**1.1%**	**$3665.7**	**1.1%**	**$3665.7**	**1.1%**	**$3665.7**	**1.1%**
		III	3695.5	3.3	3680.5	1.6	3700.0	3.8	3686.6	2.3
		IV	3724.2	3.1	3676.7	−.4	3740.0	4.4	3699.4	1.4
	1987	I	3759.9	3.9	3688.5	1.3	3779.0	4.2	3715.9	1.8
		II	3807.3	5.1	3712.4	2.6	3819.0	4.3	3740.8	2.7
		III	3851.8	4.8	3737.0	2.7	3854.0	3.7	3750.1	1.0
		IV	3901.7	5.3	3765.0	3.0	3883.0	3.0	3752.9	.3
	1988	I	3946.7	4.7						
		II	3987.3	4.2						
		III	4009.2	2.2						
	1986	Annual	3685.3	2.8	3669.7	2.4	3690.4	2.9	3676.9	2.6
	1987	Annual	3830.2	3.9	3725.7	1.5	3833.8	3.9	3739.9	1.7
Gross National Product deflator Index, 1982 = 100										
Actual	**1986**	**II**	**114.1**	**2.1%**	**114.1**	**2.1%**	**114.1**	**2.1%**	**114.1**	**2.1%**
		III	114.7	2.0	115.0	3.1	114.5	1.4	114.9	2.9
		IV	115.2	1.9	115.6	2.3	115.0	1.8	115.9	3.5
	1987	I	116.1	3.2	116.2	2.0	116.0	3.5	117.0	3.9
		II	117.0	2.9	117.4	4.1	117.0	3.5	118.0	3.5
		III	117.7	2.7	118.2	2.9	118.1	3.8	119.3	4.5
		IV	118.5	2.7	119.1	2.9	119.2	3.8	120.5	4.1
	1988	I	120.0	5.1						
		II	121.4	4.7						
		III	122.7	4.2						
	1986	Annual	114.4	2.6	114.6	2.7	114.3	2.5	114.6	2.8
	1987	Annual	117.3	2.6	117.7	2.8	117.6	2.9	118.7	3.6
Unemployment Rate										
Actual	**1986**	**II**		**7.2%**		**7.2%**		**7.2%**		**7.2%**
		III		7.0		7.2		7.2		7.0
		IV		6.9		7.5		7.0		6.9
	1987	I		6.8		7.6		6.9		6.8
		II		6.6		7.6		6.9		6.7
		III		6.4		7.6		6.8		6.8
		IV		6.2		7.5		6.8		7.0
	1988	I		5.9						
		II		5.7						
		III		5.6						
	1986	Annual		7.0		7.2		7.1		7.0
	1987	Annual		6.5		7.6		6.9		6.8

Notes: Percentage changes represent compound annual rates of change from preceding period. Quarterly data are seasonally adjusted.

[1] Based on preliminary second quarter data.

[2] Based on revised first quarter data.

ECONOMIC FORECASTS (continued)

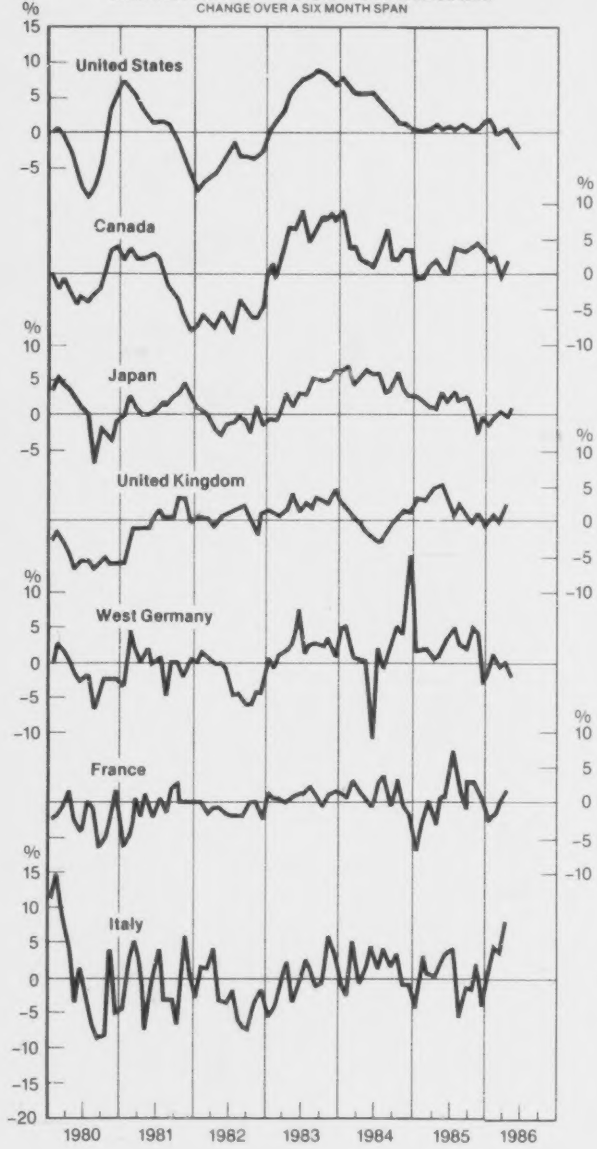
The Conference Board[1]		Chase Econometric[1] Associates, Inc.		Data Resources Inc.[1]		Wharton E.F.A. Inc.[1]				
July, 1986		*July, 1986*		*July, 1986*		*July, 1986*		*Date of Forecast*		
Level	*Percent Change*	*Level*	*Percent Change*	*Level*	*Percent Change*	*Level*	*Percent Change*			
								Gross National Product Billions of Current Dollars		
		$4182.3	**3.2%**	**$4182.3**	**3.2%**	**$4182.3**	**3.2%**	**II**	**1986**	**Actual**
4236.6	5.3	4228.1	4.5	4229.9	4.6	4232.0	4.8	III		
4300.9	6.2	4291.6	6.1	4271.5	4.0	4303.0	6.9	IV		
4367.3	6.3	4357.8	6.3	4331.7	5.8	4393.0	8.6	I	1987	
4401.5	3.2	4413.4	5.2	4398.3	6.3	4485.4	8.7	II		
4457.8	5.2	4492.3	7.3	4459.8	5.7	4575.4	8.3	III		
4538.2	7.4	4561.8	6.3	4528.7	6.3	4655.7	7.2	IV		
		4650.9	8.0	4618.5	8.2	4730.3	6.6	I	1988	
		4727.2	6.7	4701.9	7.4	4818.5	7.7	II		
		4813.2	7.5	4758.7	4.9	4904.7	7.4	III		
4217.3	5.5	4212.8	5.4	4208.2	5.3	4216.6	5.5	Annual	1986	
4441.2	5.3	4456.3	5.8	4429.6	5.3	4527.4	7.4	Annual	1987	
								Gross National Product Billions of Constant (1982) Dollars		
		$3665.7	**1.1%**	**$3665.7**	**1.1%**	**$3665.7**	**1.1%**	**II**	**1986**	**Actual**
3684.1	2.0	3691.8	2.9	3689.1	2.6	3688.3	2.5	III		
3707.9	2.6	3718.1	2.9	3708.0	2.1	3723.5	3.9	IV		
3733.7	2.8	3745.6	3.0	3731.4	2.5	3771.2	5.2	I	1987	
3733.7	0.0	3761.3	1.7	3763.7	3.5	3816.1	4.8	II		
3746.8	1.4	3785.0	2.5	3793.3	3.2	3853.7	4.0	III		
3776.5	3.2	3804.2	2.0	3829.4	3.9	3878.6	2.6	IV		
		3845.7	4.4	3861.7	3.4	3898.8	2.1	I	1988	
		3866.7	2.2	3891.4	3.1	3929.4	3.2	II		
		3899.5	3.4	3904.4	1.3	3956.3	2.8	III		
3678.4	2.6	3682.9	2.7	3679.7	2.6	3683.4	2.7	Annual	1986	
3747.7	1.9	3774.0	2.5	3779.5	2.7	3829.9	4.0	Annual	1987	
								Gross National Product deflator Index, 1982 100		
		114.1	**2.1%**	**114.1**	**2.1%**	**114.1**	**2.1%**	**II**	**1986**	**Actual**
115.0	3.2	114.5	1.5	114.7	2.0	114.7	2.3	III		
116.0	3.5	115.4	3.2	115.2	1.9	115.6	2.9	IV		
117.0	3.4	116.3	3.2	116.1	3.1	116.5	3.2	I	1987	
117.9	3.2	117.3	3.5	116.9	2.7	117.5	3.7	II		
119.0	3.8	118.7	4.7	117.6	2.5	118.7	4.1	III		
120.2	4.1	119.9	4.2	118.3	2.4	120.0	4.5	IV		
		120.9	3.5	119.6	4.6	121.3	4.4	I	1988	
		122.3	4.4	120.8	4.2	122.6	4.4	II		
		123.4	3.9	121.9	3.5	124.0	4.5	III		
114.6	2.8	114.4	2.6	114.4	2.6	114.5	2.7	Annual	1986	
118.5	3.4	118.1	3.2	117.2	2.5	118.2	3.3	Annual	1987	
								Unemployment Rate		
	7.2%		**7.2%**		**7.2%**		**7.2%**	**II**	**1986**	**Actual**
	7.3		7.1		7.0		7.2	III		
	7.3		7.2		7.0		7.1	IV		
	7.3		7.2		7.0		7.0	I	1987	
	7.6		7.2		6.9		6.8	II		
	7.8		7.1		6.8		6.5	III		
	7.7		7.1		6.7		6.4	IV		
			7.1		6.6		6.5	I	1988	
			7.0		6.5		6.5	II		
			7.0		6.5		6.5	III		
	7.2		7.1		7.1		7.1	Annual	1986	
	7.6		7.2		6.9		6.7	Annual	1987	

Please Note: In the interest of speeding the data contained in this publication to you, these series are available on-line through The Conference Board Data Base. For more information, contact Linette Stein Waters or Ken Goldstein at (212) 759-0900.

SELECTED INTERNATIONAL COMPARISONS

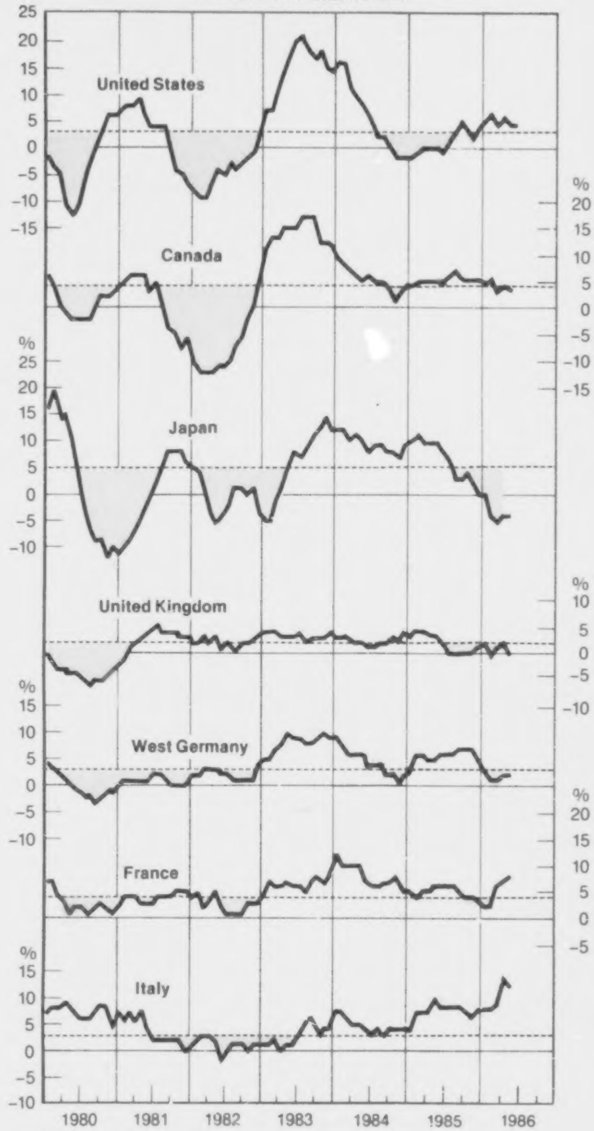
INDUSTRIAL PRODUCTION INDEXES

CHANGE OVER A SIX MONTH SPAN



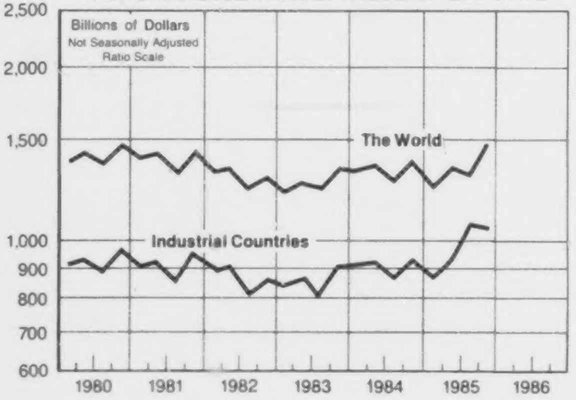
LEADING BUSINESS CYCLE INDEXES

CHANGE FROM PRECEDING YEAR

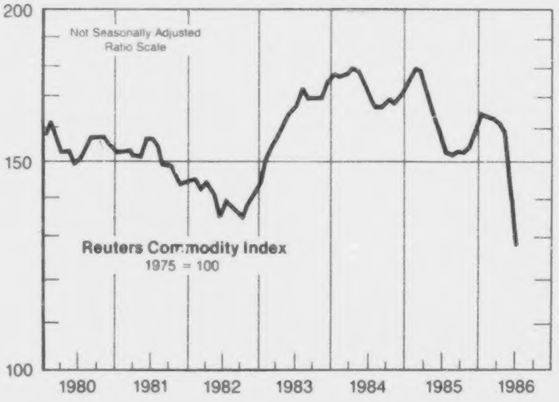


Source: Center for International Business Cycle Research, Columbia University

MERCHANDISE TRADE: VALUE OF EXPORTS

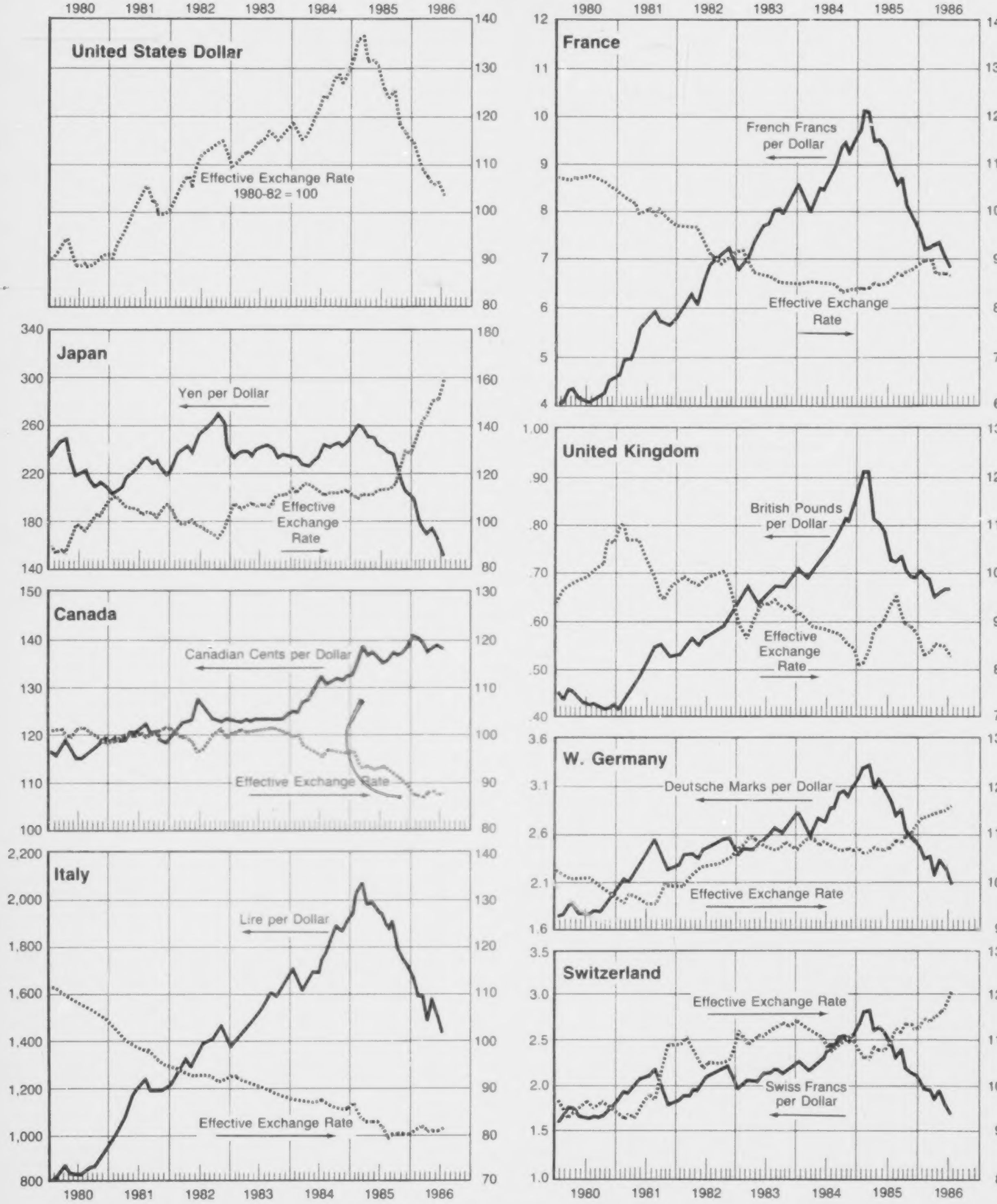


RAW MATERIALS PRICES



Foreign Exchange Rates

Indexes: 1980-82 = 100



Note: Nominal Effective Exchange Rates: Index numbers 1980-82 = 100. Each index shows a currency's trade- using averages weighted appreciation or depreciation measured against fifteen other major currencies of daily noon spot exchange rates in New York and bilateral trade weights based on 1980 trade in manufactures.

Source: Morgan Guaranty Trust Co.

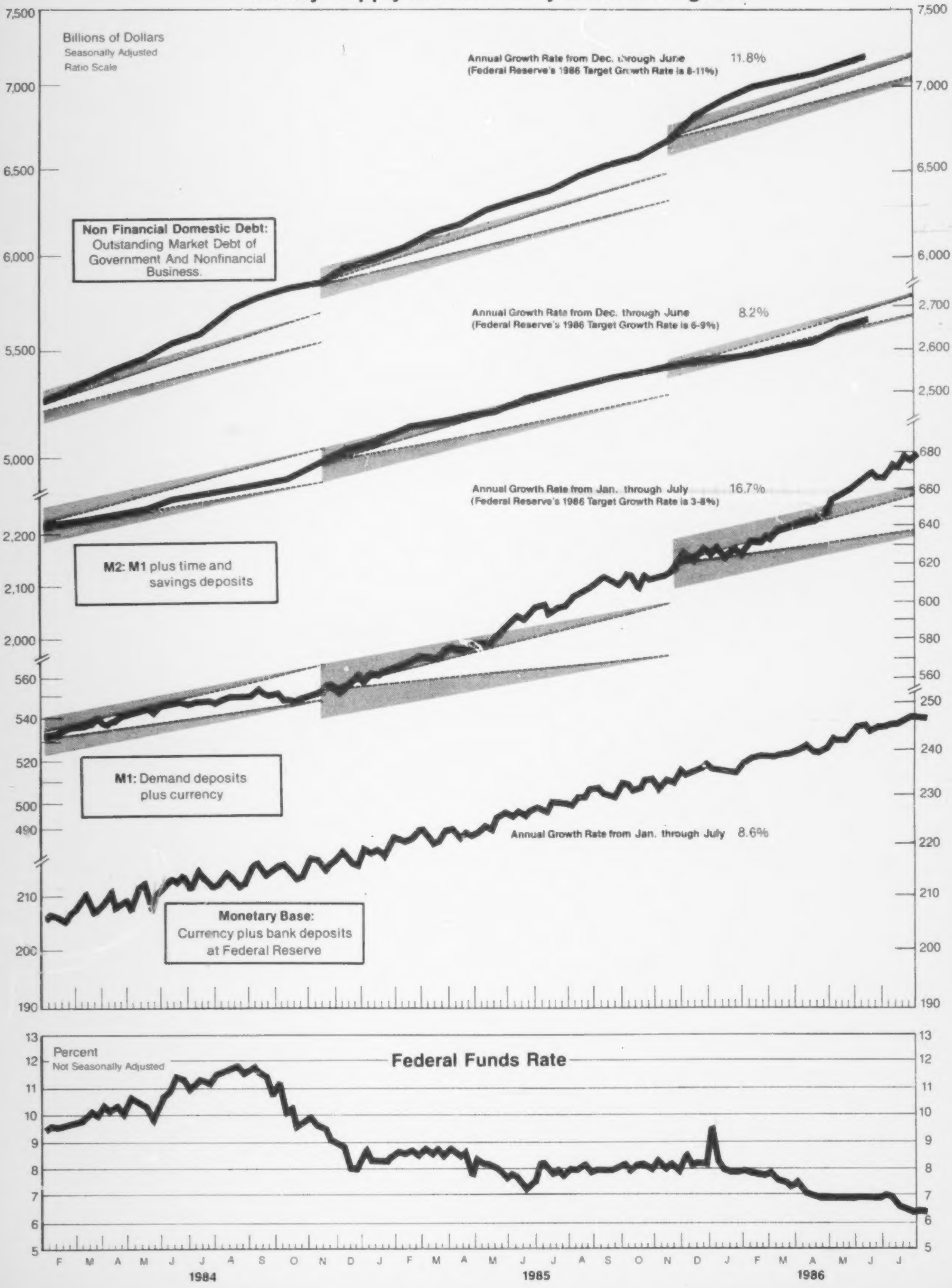
PERSPECTIVE ON THE FEDERAL BUDGET
(Billions of Current Dollars)

	Fiscal 1986		Fiscal 1987		Fiscal 1988	
	Administration's Latest Estimate	Congress's Latest Estimate	Administration's Latest Estimate	Congress's Latest Estimte	Administration's Latest Estimate	Congress's Latest Estimate
	(2/5/86)	(2/26/86)	(2/5/86)	(2/26/86)	(2/5/86)	(2/26/86)
Receipts	**$ 777.1**	**$ 778.7**	**$ 850.4**	**$ 849.9**	**$ 933.2**	**$ 928.1**
Outlays	**979.9**	**983.5**	**994.0**	**1,009.7**	**1,026.8**	**1,060.3**
Deficit	**-202.8**	**-204.7**	**-143.6**	**-159.7**	**- 93.6**	**-132.3**
Receipts by source	**$777.1**	**$778.7**	**$850.4**	**$849.9**	**$933.2**	**$928.1**
Individual income	353.7	354.2	386.0	385.0	425.9	422.0
Social security	280.4	280.8	302.8	302.3	335.0	333.5
Corporate income	70.9	72.2	86.7	89.4	101.2	101.2
Other receipts	72.1	71.5	74.9	73.2	71.1	71.4
Outlays by function	**$979.9**	**$983.5**	**$994.0**	**$1,009.7**	**$1,026.8**	**$1,060.3**
National defense	265.8	269.5	282.2	296.7	299.1	316.6
Social security	268.8	267.9	282.4	282.2	302.1	303.1
Income security	118.1	119.6	118.4	119.5	123.1	123.7
Health	35.7	35.6	35.0	35.1	36.7	36.8
Veterans benefits	26.6	26.7	26.4	26.5	26.9	26.9
Education & manpower	30.7	30.8	27.4	27.3	26.3	26.5
Transportation	27.1	27.5	25.5	25.6	24.1	24.3
Agriculture	25.9	30.4	19.5	21.9	19.7	23.5
International affairs	17.1	17.1	18.6	16.5	18.3	17.5
Natural resources	12.9	12.8	12.0	12.0	11.8	11.9
General science	8.9	8.9	9.2	9.1	9.3	9.4
Justice	6.8	6.8	6.9	7.1	7.0	7.2
General government	6.3	6.0	6.1	6.2	5.7	6.4
Community development	7.9	7.9	6.5	6.3	5.5	5.4
Commerce, Housing credit	3.8	4.2	1.4	3.1	3.8	4.3
Energy	4.4	4.2	4.0	4.4	4.5	4.1
Revenue sharing	6.2	5.8	1.7	1.7	1.8	1.8
Interest	142.7	139.8	148.0	144.7	145.1	152.7
Allowances	0.0	0.0	0.7	0.7	2.3	2.3
Offsetting receipts	-35.2	-37.7	-38.1	-36.8	-46.4	-44.2

ECONOMIC ASSUMPTIONS OF THE BUDGET

GNP						
Current Dollar	**$4,274.0**	**$4,269.0**	**$4,629.0**	**$4,583.0**	**$4,995.0**	**$4.930.0**
Constant (1982) Dollar	**3,695.0**	**3,688.0**	**3,842.0**	**3,803.0**	**3,996.0**	**3,928.0**
Percent change in						
Current dollar	7.0%	6.9%	8.3%	7.3%	7.9%	7.6%
Constant (1982) dollar	3.4	3.2	4.0	3.1	4.0	3.3
Implicit price index	3.5	3.6	4.2	4.1	3.7	4.1
Consumer price index	3.5	3.4	4.1	4.2	3.7	4.4
91-Day T bill rate	7.3	6.8	6.5	6.7	5.6	6.4
Unemployment rate	6.7	6.7	6.5	6.7	6.3	6.5

Money Supply and Monetary Growth Targets



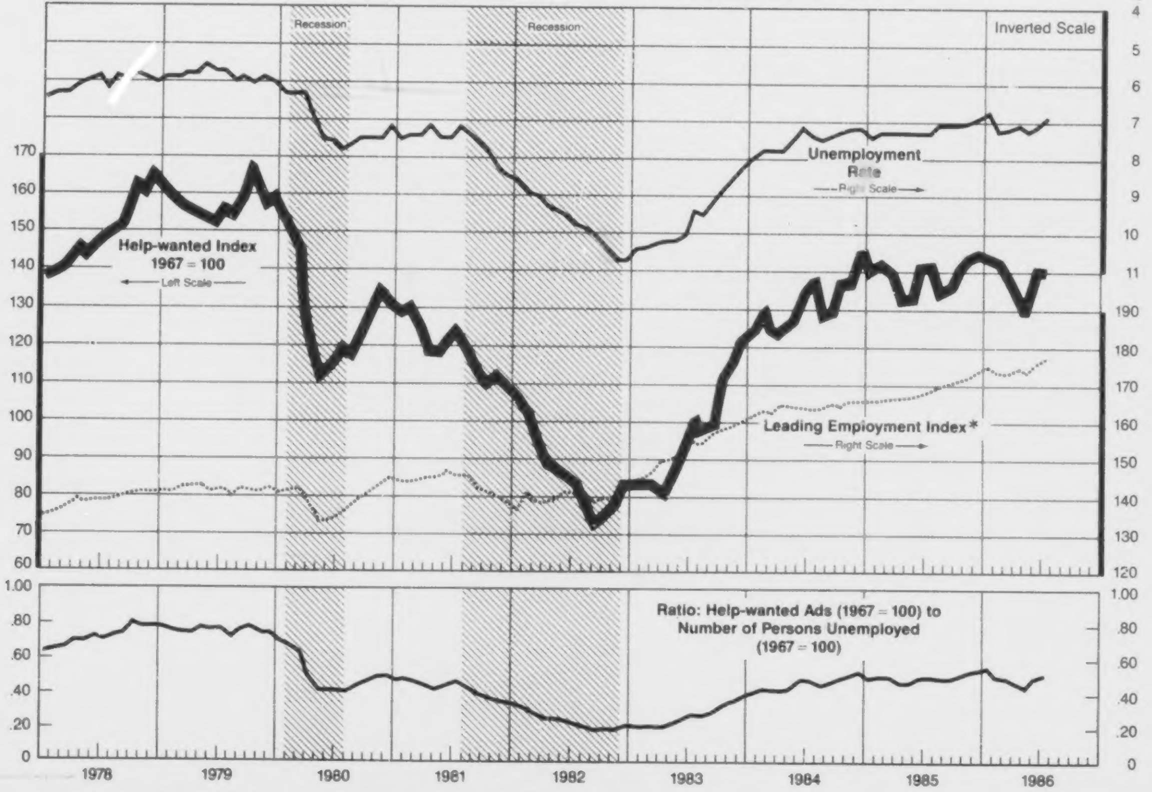
CONFERENCE BOARD HELP-WANTED ADVERTISING INDEXES

Seasonally Adjusted Indexes, 1967 = 100

	1986			1985
Locality	**June**	**May**	**April**	**June**
National Index	141	128r	132	141
New England	171	157	162	155
Boston	178	164	170	166
Hartford	171	164	164	151
Providence	148	125	132	124
Middle Atlantic	80	71	73	69
Albany	192	182	169	176
Allentown	249	197	189	191
New York	62	57	60	54
Philadelphia	72	59	63	61
Pittsburgh	83	75	81	72
Rochester	86	77	81	86
Syracuse	N.A.	N.A.	123	112
East North Central	96	86	90	90
Chicago	101	89	94	99
Cincinnati	153	140	144	147
Cleveland	67	56	59	61
Columbus	163	144	147	134
Dayton	97	82	83	91
Detroit	65	64	67	64
Gary	140	125	112	113
Indianapolis	109	101	98	90
Milwaukee	57	52	56	57
Toledo	122	114	119	112
West North Central	94	82	88	94
Kansas City	169	129	149	145
Minneapolis	65	63	67	75
Omaha	121	108	115	124
St. Louis	70	65	65	73
South Atlantic	200	177	174	191
Atlanta	289	251	263	303
Baltimore	N.A.	195	185	222
Charlotte	159	145	152	143
Jacksonville	221	217	213	216
Miami	87	77	78	79
Richmond	149	137	129	105
Washington, D.C.	192	167	164	178
East South Central	152	143	156	149
Birmingham	161	152	149	166
Knoxville	203	212	222	194
Louisville	90	80	74	98
Memphis	137	126	125	112
Nashville	206	190	257	208
West South Central	175	163	176	253
Dallas	196	187	202	343
Houston	217	200	224	303
New Orleans	109	95	99	114
Oklahoma City	117	108	102	155
San Antonio	166	167	178	219
Tulsa	130	117	122	168
Mountain	287	269	268	326
Denver	172	157	167	207
Phoenix	439	410	395	484
Salt Lake City	294	285	287	334
Pacific	203	192r	197	192
Los Angeles	141	136r	140	140
Sacramento	378	279	370	350
San Bernadino	228	217	230	210
San Diego	464	457	459	431
San Francisco	212	202	191	193
Seattle	198	189	192	182
Percentage of papers with rising volume	96%	27%	24%	94%
Unemployment rate	7.1%	7.3%	7.1%	7.3%

Note: For definitions and method, see Noreen Preston, *The Help-wanted Index* (New York: The Conference Board, 1977).
r—revised N.A.—not available

Help-wanted Advertising and Unemployment



* Source: Center for International Business Cycle Research, Columbia University

CONFERENCE BOARD INDEXES OF CONSUMER CONFIDENCE AND BUYING PLANS

Indexes, 1985 = 100
(Seasonally Adjusted)

Consumer Confidence Index

	Jan.	Feb.	Mar.	Apr.	May	June	July	Aug.	Sept.	Oct.	Nov.	Dec.
1983	59.8	70.1	81.2	81.8	85.9	87.0	87.8	89.9	92.2	93.5	96.7	104.9
1984	105.0	102.0	102.9	103.8	102.0	103.7	98.5	101.6	102.4	101.7	106.1	98.7
1985	103.0	104.0	98.0	101.0	96.6	100.0	101.2	99.6	98.9	99.3	98.7	99.8
1986	97.8	96.9	96.9	99.0	97.2	97.2r	95.4p					

Buying Plans Index

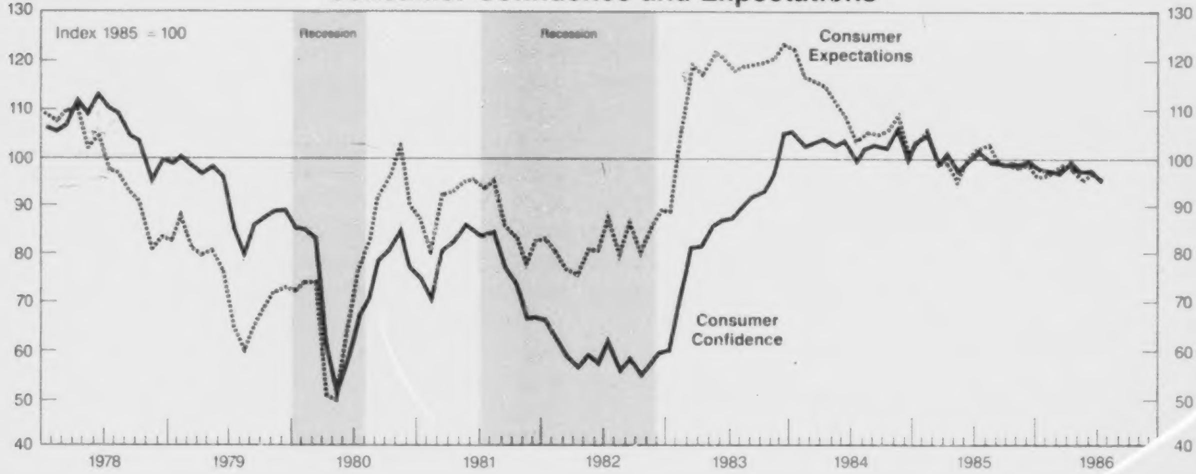
	Jan.	Feb.	Mar.	Apr.	May	June	July	Aug.	Sept.	Oct.	Nov.	Dec.
1983	71.7	71.1	77.5	85.6	84.7	89.0	94.4	85.0	101.6	102.2	99.2	99.3
1984	99.2	98.0	90.7	98.6	102.5	104.9	89.5	95.5	83.5	92.7	96.0	91.9
1985	100.7	98.7	98.4	97.4	89.5	96.3	93.1	98.4	107.3	110.3	101.2	108.8
1986	105.6	103.9	101.9	135.3	108.9	114.4r	102.1p					

Confidence Index measures consumer optimism in appraising economic conditions. Buying plans Index is based on intentions to purchase cars, homes, appliances. Expectations Index, (charted below), measures consumer attitudes with regard to business conditions and employment and income levels six months hence. Data prior to May, 1981 based on survey of families. Data after May, 1981 are based on survey of households. A description of these indexes appears in The Conference Board RECORD, September, 1973.

Surveys are conducted by National Family Opinion, Inc.

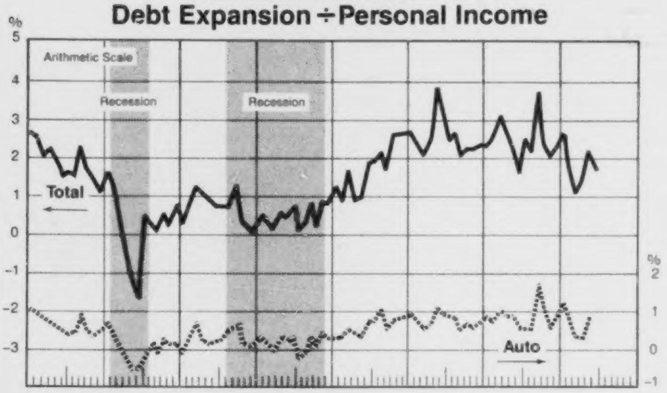
p—preliminary r—revised

Consumer Confidence and Expectations

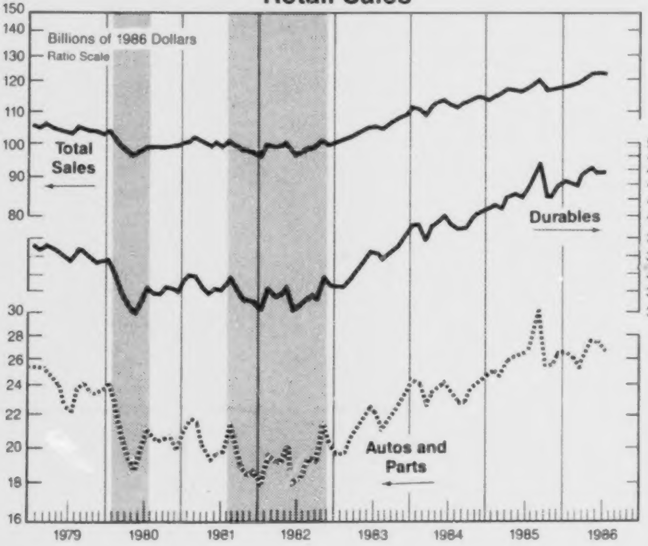


ATTENTION PC USERS: All data in this publication plus extensive government statistics are available on cost-effective diskettes. For more information, contact Linette Waters at (212) 759-0900.

Consumer Installment Debt Expansion ÷ Personal Income



Retail Sales



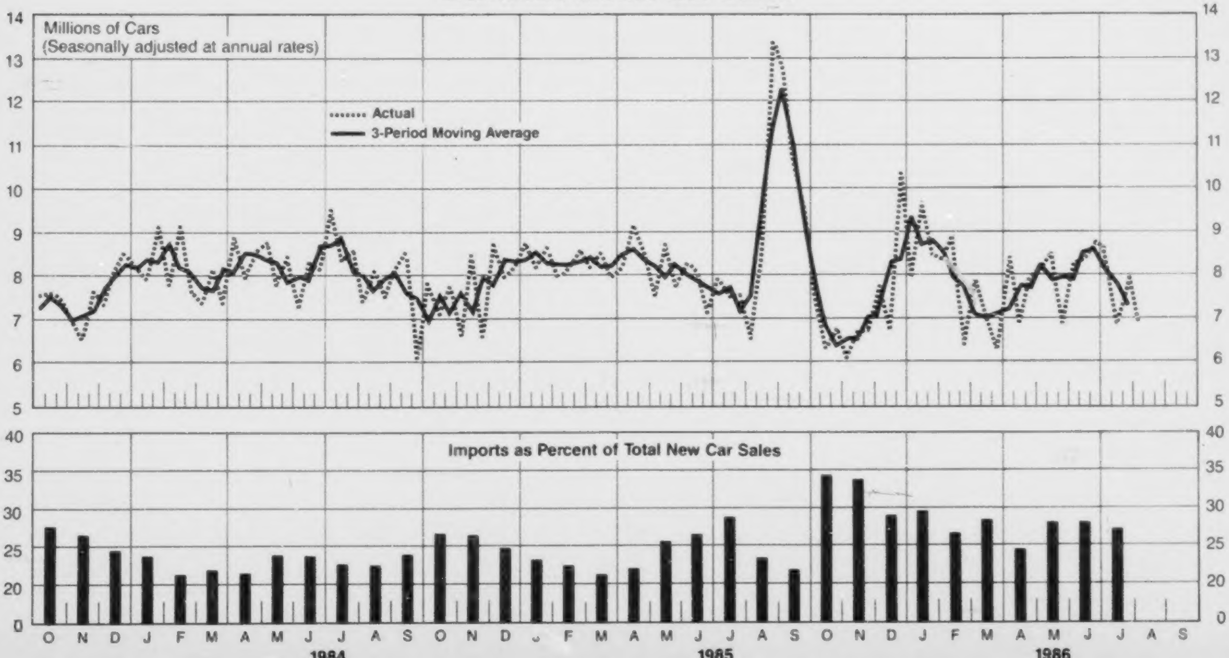
CONFERENCE BOARD ESTIMATES OF NEW AUTO SALES, BY 10-DAY PERIODS

Millions, Seasonally Adjusted at Annual Rate

Periods		1983	1984	1985	1986
January:	1-10	6.17	8.16	8.69	7.97
	11-20	6.20	7.84	8.15	9.63
	21-31	5.60	9.15	8.62	8.40
February:	1-10	5.86	7.79	7.97	8.32
	11-20	5.30	9.17	8.04	8.93
	21-28(29)	6.07	7.60	8.58	6.36
March:	1-10	5.61	7.35	8.14	7.81
	11-20	6.10	8.13	8.44	6.99
	21-31	6.19	7.35	7.94	6.24
April:	1-10	6.69	8.88	8.16	8.39
	11-20	6.52	7.96	9.12	6.97
	21-30	6.35	8.60	8.46	7.96
May:	1-10	6.67	8.75	7.45	8.13
	11-20	6.30	7.74	8.69	8.49
	21-31	6.97	8.43	7.70	6.86
June:	1-10	7.23	7.22	8.21	8.27
	11-20	7.34	8.25	8.02	8.38
	21-30	7.28	8.10	7.16	8.71
July:	1-10	7.25	9.51	7.89	8.59
	11-20	7.36	8.32	7.47	6.89
	21-31	7.43	8.59	7.53	7.92
August:	1-10	7.39	7.33	6.47	6.95
	11-20	6.11	8.07	8.39	
	21-31	6.65	7.43	13.29	
September:	1-10	6.26	8.13	12.76	
	11-20	7.21	8.52	10.63	
	21-30	6.55	6.03	9.49	
October:	1-10	7.52	7.83	7.44	
	11-20	7.56	7.07	6.27	
	21-31	7.45	7.70	6.75	
November:	1-10	6.96	6.60	6.04	
	11-20	6.55	8.44	6.66	
	21-30	7.62	6.57	6.70	
December:	1-10	7.30	8.75	7.72	
	11-20	8.09	7.96	6.74	
	21-31	8.48	8.19	10.38	

Note: Dealer sales exclude exports and foreign-model cars (unless manufactured domestically.) Data from Ward's Automotive Reports are seasonally adjusted by The Conference Board. Prior data available upon request.

Domestic-Model Car Sales



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STATISTICAL BULLETIN

Volume 19, No. 9, September, 1986

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The Conference Board
70th Anniversary

THE CONFERENCE BOARD'S STATISTICAL BULLETIN COMMENTARY

* JOB GROWTH REMAINS SLOW
* BUT HOURS WORKED HAVE EXPANDED
* AND THE SLIDE IN INDUSTRIAL OUTPUT MAY BE OVER
* AS NEW ORDERS HAVE IMPROVED
* BUT THE TRADE DEFICIT IS WIDENING
* AS IMPORTS SURGE AND EXPORTS DECLINE
* OUTLOOK * SLUGGISH THIRD QUARTER FOLLOWED BY MODERATE ECONOMIC GROWTH IN THE FOURTH QUARTER

OVERVIEW: The economy simply stalled in the second quarter of 1986. The prospect is that it will be hard pressed to accelerate in the second half of the year.

By early Summer, it was clear that economic growth had slowed to a crawl. Consumer spending remained fairly vigorous but business investment was contracting and government spending was flat. Even the faint sign of some rise in manufactured exports proved to be a mirage. The economy actually expanded by a mere 0.6% annual rate, seasonally adjusted, in the second quarter.

That very sluggish pace of activity may have convinced the Federal Reserve to facilitate interest-rate reduction. An immediate, dramatic response was not anticipated. Indeed, the **Economic Forecasts** are indicating that real output is likely to rise at a 2.4% annual rate in the third quarter.

DOMESTIC MARKET MONITOR

The labor market continues mediocre at best. To be sure, service jobs are still opening up. Construction employment increased fairly sharply in August and even manufacturing firms hired a few workers. But labor force participation has fallen. Actually, the number of white, adult men in the labor force was no higher in August than last January. (The number of white, adult women, however, increased 2.5% over this period.) And the drop in the national unemployment rate results more from lower labor-force participation than from fewer unemployed people looking for a job.

Labor market conditions are generally not expected to improve sharply in the next few months. The Conference Board's **Help-wanted Index**, a measure of labor demand, was basically unchanged in July. Moreover, early returns to the August survey indicate that it may have fallen a little. Indeed, slow job growth to date may be one reason for declining labor-force participation. And now labor demand, as measured by The Conference Board's **Help-wanted Index**, appears to have lost some ground.

The drop in labor force participation could be a sign that households are less sure about continued economic expansion. Indeed, The Conference Board's **Consumer Confidence Index** fell to 90.2 (1985 = 100) in August, from 97.2 only 2 months earlier. Correspondingly, more respondents now say that jobs are harder to find.

Still, there was some good news coming out of the labor market. A few more workers and a slightly longer workweek resulted in a 0.7% rise in hours worked in nondurable manufacturing in August. There were no job gains to speak of in durable manufacturing but a longer workweek resulted in a 0.5% rise in hours. Nonmanufacturing hours also rose—especially in construction.

INCOME: The rise in hours should boost wage income. Further, hourly pay rates inched higher in August. The average hourly rate in private industry was $8.76 in August, up from $8.74 only 2 months earlier.

Wage-income growth has not been very fast. Wages in services were 1.7% higher in July than 3 months earlier and wages in government were 1.4% higher. But in the commodity-producing industries, wages were 0.5% lower. Overall, wage income was only 0.2% higher.

Nonwage income growth has slowed. Rental income is still rising sharply but interest income is not. And dividends were only 1.1% higher in July than 3 months earlier.

SPENDING: Slow income growth, and subdued borrowing, have not resulted in any measurable cutback in the rise of consumer demand. Nondurable retail sales were 0.9% higher in July than 3 months earlier. Durable sales, except cars and parts, were 1.7% higher. Car buying was flat in July but 2.9% financing encouraged sales in August. Spending on services has been rising as fast as retail buying in recent months.

CONSTRUCTION: Recent declines in home sales and starts notwithstanding, the housing market remains fairly robust. Granted, new, single-family home sales were one-

Ken Goldstein, Editor

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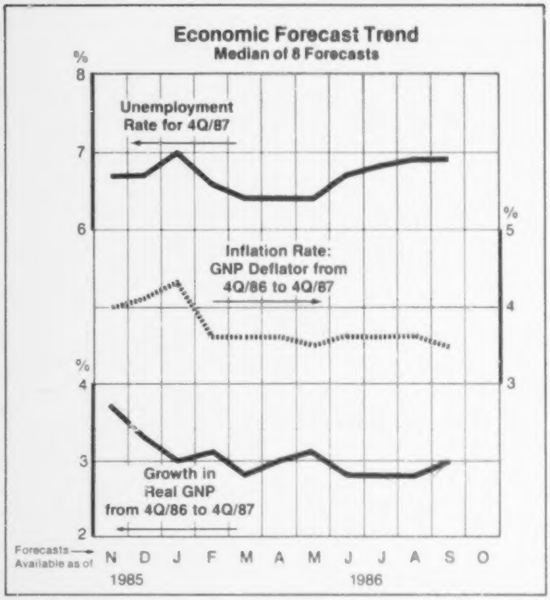


fourth lower in July than 3 months earlier. The decline was most pronounced in the Western states, but there is no indication that economic activity in the West is less expansive than in the rest of the country.

The decline in new, single-family housing starts was much less than the drop in sales. Single-unit starts were only 5% lower in July than 3 months earlier. Moreover, the rise in construction jobs in August indicates that home builders may step up activity.

Multi-unit construction has been weaker than single-unit construction. Multi-unit starts were 18% lower in July than 3 months earlier. Indeed, multi-unit construction has been soft all year and is not likely to strengthen—in part because proposed tax-law changes call for higher tax liability on rental income.

Nonresidential construction remains mired. The value of new, nonresidential investment was 2.3% lower in July than 3 months earlier—due to declines in commercial, office and industrial building. Moreover, the Commerce Department survey indicated that business investment intentions are for a 2½% decrease in spending this year.

PRODUCTION: The rise in jobs and hours in August may signal an end to the long slide in industrial production. That slide reflects depressed output of energy and other raw material, as well as lower output of business equipment. Energy output was 1.2% lower in July than 3 months earlier but total material output was 2.2% lower. Business equipment was off by 3.1 percent.

One reason for more hiring, and more hours worked, in August is the increase in new orders. New durable orders were 3% higher in July than 3 months earlier. To be sure, orders for defense material were sharply higher. But the important news is that nondefense, capital orders were 4.6% higher.

INVENTORY: Not only has the ordering rate improved, but industrial sales increased 0.5% in June. Thus, despite a 0.4% rise in inventory, the inventory-to-sales ratio remained unchanged. And the biggest bulge in inventory has been unsold cars. Those cars began to move in August with the new financing promotions.

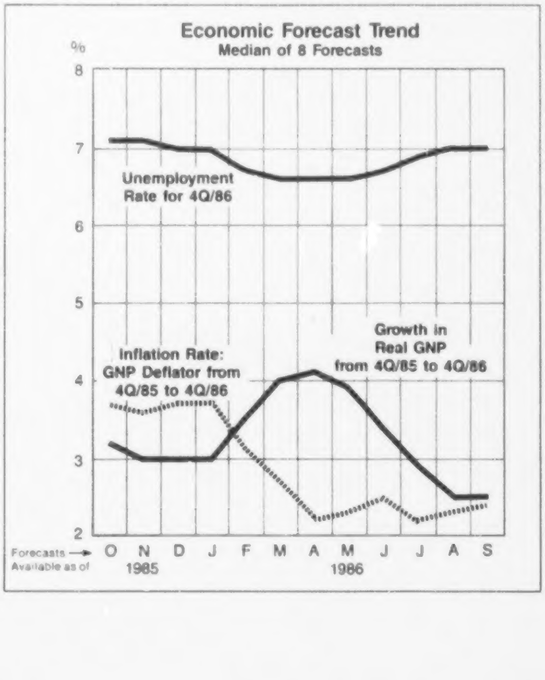
PRICES: After rebounding for 3 months, commodity prices dropped sharply in August. Raw material prices fell 6.9%, despite a 0.9% rise in metal prices. Food and textile prices fell sharply but neither is expected to remain on a downtrend. In fact, prices paid to farmers have been recovering. And the drought and heat this Summer will probably result in higher crop prices.

INTERNATIONAL MONITOR

There was a hint this past Spring that import growth was subsiding. The 13% rise in total imports over the last 2 months, however, suggests that import demand remains strong—especially for finished goods. Manufacturing imports were 16% higher in July than only 2 months earlier. Nor can the surge be blamed on a flood of new cars. Imports of transport equipment, except aircraft, were only 5.6% higher in July.

The trade balance worsened not only due to the rise in imports but to lower exporting. Manufactured exports were 5.3% lower in July than only 2 months earlier.

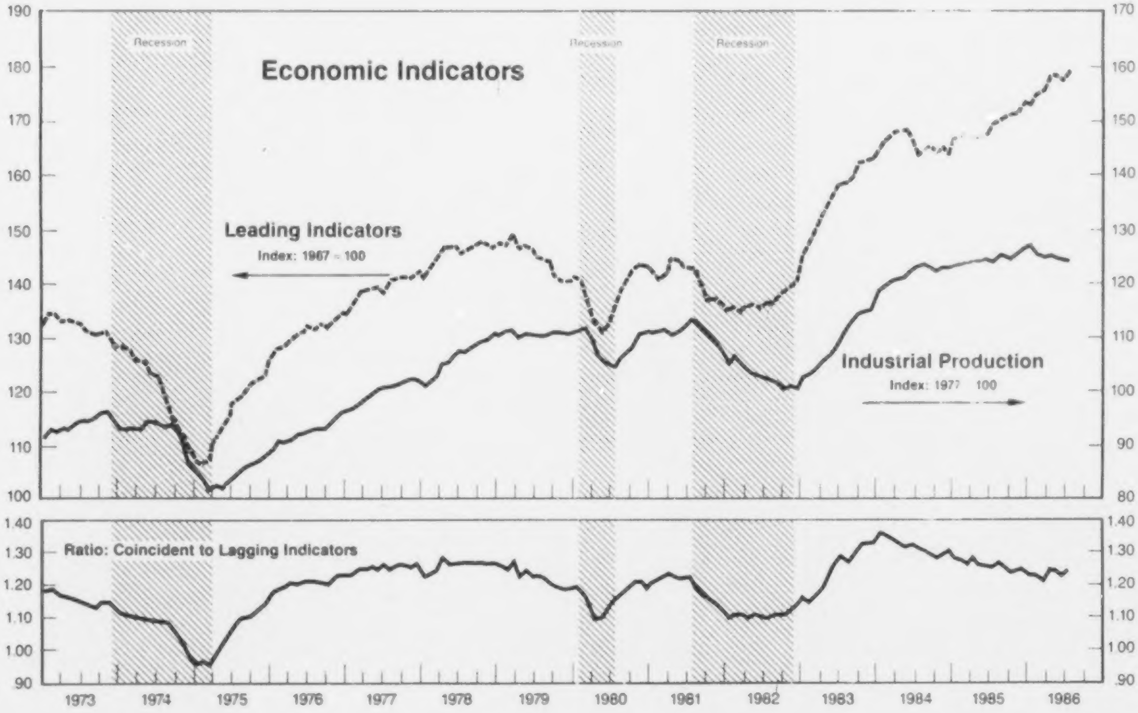
Ken Goldstein
September 15, 1986



STATUS OF LEADING ECONOMIC INDICATORS

		Rising	Level	Declining	Change over latest three months	Change From Year-Ago
		(Classification based on movement of series over several months)				
Leading Economic Indicators	July	X			0.6%	6.0%
Capital Investment Commitments						
*Contracts and orders, plant & equipment (deflated)	July	X			8.7%	4.2%
New orders, nondefense capital goods (deflated)	July	X			10.4%	8.2%
*New business formation	July		X		– 2.4%	3.3%
*Housing permits	July			X	– 3.7%	2.9%
Inventory Investment and Purchasing						
*New orders, consumer goods & materials (deflated)	June		X		1.3%	2.2%
*Change in inventory, on hand & order (deflated)	June			X	–31.4%	2.5%
Purchasing agents' buying policy	Aug.		X		1.0%	– 2.0%
*Vendor performance, reported slower deliveries	Aug.		X		– 4.0%	9.0%
Industrial raw materials prices	Aug.			X	– 4.3%	–11.7%
*Change in sensitive material prices	July	X			1.2%	1.0%
Sensitive Financial Flows						
*Money balance (M2 deflated)	July	X			2.3%	4.1%
Change in business loans	July		X		17.9%	–39.0%
*Change in credit outstanding	July		X		2.3%	– 3.9%
Change in consumer installment debt	July		X		13.0%	–16.9%
Profitability						
Total corporate profits, after tax (deflated)	2nd Q	X			4.2%	9.5%
*Common stock prices	Aug.		X		2.7%	30.1%
Marginal Employment Adjustments						
*Average workweek, mfg.	Aug.		X		0.1hr	0.2hr
*Initial unemployment claims (inverted)	Aug.		X		– 0.3%	– 1.1%

Note: For a description of the Leading Indicators Composite Index see Bureau of Economic Analysis, *Handbook of Cyclical Indicators*, (Washington, D.C.: Government Printing Office) June, 1977.
*These twelve series make up the Composite Leading Index charted below.



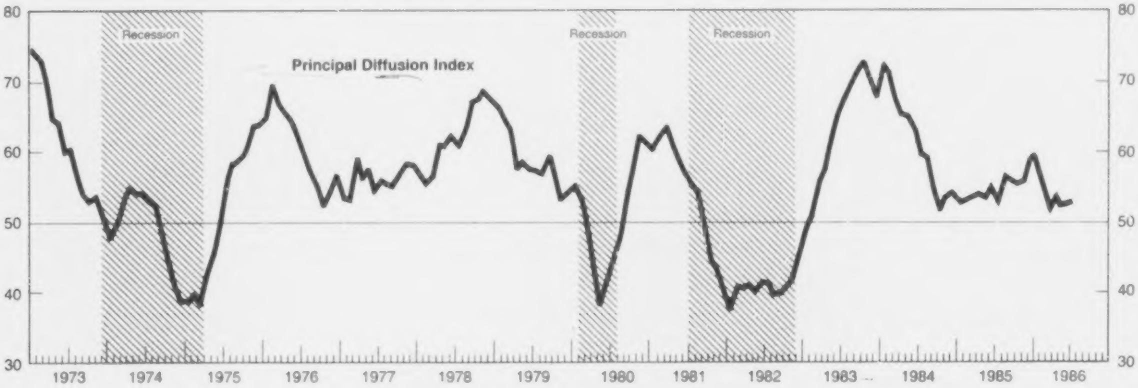
CONFERENCE BOARD DIFFUSION INDEXES

DIFFUSION INDEXES	1985 Jul.	1986 Apr.	1986 May	1986 Jun.	1986 Jul.(e)
Principal Diffusion Index	56.0	53.9	52.1r	52.2r	52.8
Auxiliary Diffusion Index	53.9	59.6	44.1r	50.2r	52.0
Industrial Group	56.7	52.8	47.8r	49.6r	51.7
Nonindustrial Group	55.2	55.1	56.4	54.7r	53.9
Sense of Diffusion	1	1	0	0	1
SUBGROUP DIFFUSION INDEXES					
Industrial Subgroups					
Production	57.7	63.2	63.2r	63.2r	63.7
Labor	57.6	52.9	45.6	45.4	48.5
Miscellaneous	53.2	36.5	30.1	39.7	41.7
Nonindustrial Subgroups					
Prices	48.1	53.8	61.5	68.6	67.3
Consumer	65.8	55.4	66.2	61.1r	56.0
Building	54.2	50.0	42.9	39.7r	33.0
Miscellaneous	50.0	49.1	52.1	49.1r	56.8

Note: The principal diffusion index reflects the frequency of rises in 20 component series over the 12-month period ending in the month indicated. The index is based on the direction of change, not the magnitude of change, from month to month. Each component series carries equal weight in the index, but the direction of recent changes is weighted more heavily than are earlier changes. If, for example, 10 component series rose and 10 declined in each of the last 12 months, the current index would be higher than 50 because the data over the latest six-month period are weighted more heavily than data from the earlier six-month period. On the other hand, if all 20 series rose in each of the last six months, after declining in each of the prior six months, weighting would make the current index considerably greater than 50. See Morton Ehrlich, "Using The Conference Board's Diffusion Indexes," The Conference Board *RECORD*, July, 1966.

e-estimate r-revised

The Conference Board Diffusion Index



BUSINESS EXECUTIVES' EXPECTATIONS

	1983	*1984*				*1985*				*1986*	
	Nov.	*Feb.*	*May*	*Aug.*	*Nov.*	*Feb.*	*May*	*Aug.*	*Nov.*	*Feb.*	*May*
	Score (scale 0-100)										
Measure of Business Confidence	74	70	65	61	57	61	52	51	55	61	61
1. Appraisal of Current Economic Conditions Compared With Six Months Ago	80	76	75	70	57	62	48	45	53	63	61
2. Expectations for Economy, Six Months Ahead	73	67	60	57	57	61	53	53	56	62	62
3. Expectations for Own Industry, Six Months Ahead	70	67	61	57	58	61	55	54	56	59	60

The Measure of Business Confidence is the average of the scores for the three primary questions in the survey. Respondents have five reply options for each question; a score for each question is determined by assigning the following values to the replies and calculating the average value of the replies to the question: Substantially Better—100; Moderately Better—75; Same—50; Moderately Worse—25; Substantially Worse—0. The score for each question, and the overall Measure of Business Confidence, thus can range from 0 to 100.

CONFERENCE BOARD ESTIMATES OF CAPITAL APPROPRIATIONS AND EXPENDITURES BY MANUFACTURERS AND INVESTOR-OWNED UTILITIES

Billions of Dollars, Seasonally Adjusted

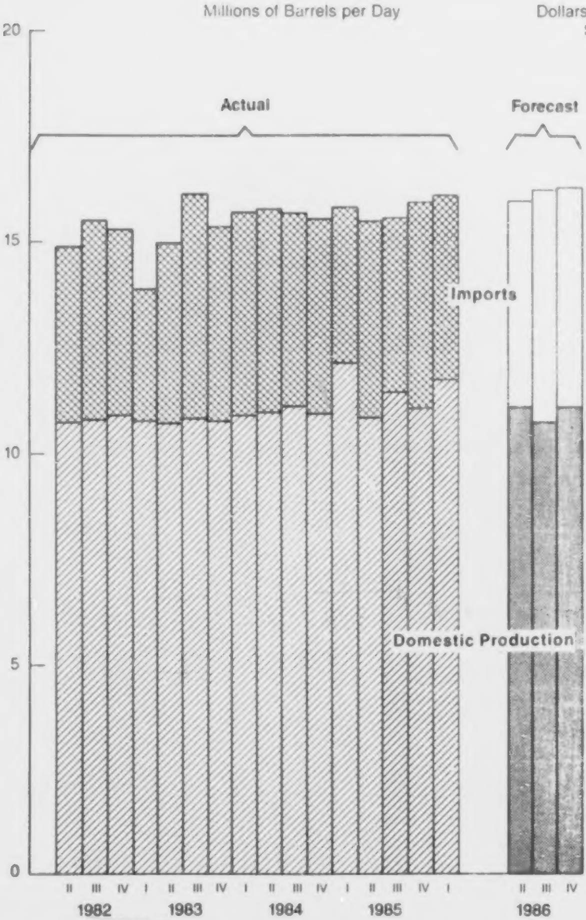
	1984	1985				1986		Percent Change From Previous Year	
	IV	I	II	III	IV	Ir	IIp	1985 Actual	1986 Estimate
1000 LARGEST MANUFACTURING FIRMS									
New appropriations	29.100	29.938	27.560	24.167	27.190	23.386	18.773	− 8	− 6
Capital expenditures	24.587	23.354	24.911	24.730	26.336	23.566	22.648	10	− 2
Change in appropriations backlog*	+2.302	+4.984	+0.529	−2.702	−2.594	−2.368	−5.845		
Durable Goods									
New appropriations	15.072	16.737	10.910	12.031	12.005	11.613	9.593	− 13	9
Capital expenditures	12.223	11.648	12.814	12.299	12.676	11.479	11.602	15	5
Change in appropriations backlog*	+1.797	+4.154	−2.515	−1.094	−3.063	−1.582	−3.434		
Nondurable Goods									
New appropriations	14.028	13.201	16.650	12.136	15.185	11.773	9.180	− 2	−20
Capital expenditures	12.364	11.706	12.097	12.431	13.660	12.087	11.046	6	− 9
Change in appropriations backlog*	+0.505	+0.830	+3.044	−1.608	+0.469	−0.786	−2.411		
ELECTRIC & GAS UTILITIES									
New appropriations	11.554	9.283	15.037	4.907	8.541	10.001		9	
Capital expenditures	9.337	8.925	9.248	8.952	8.333	9.263		− 3	
Change in appropriations backlog*	−3.147	+0.293	+4.723	−5.052	−0.272	+0.523			

Available on request: Historical data from 1953 (manufacturing) and from 1958 (utilities), and quarterly reports containing text and data for 17 separate manufacturing industries, electric and gas utilities.

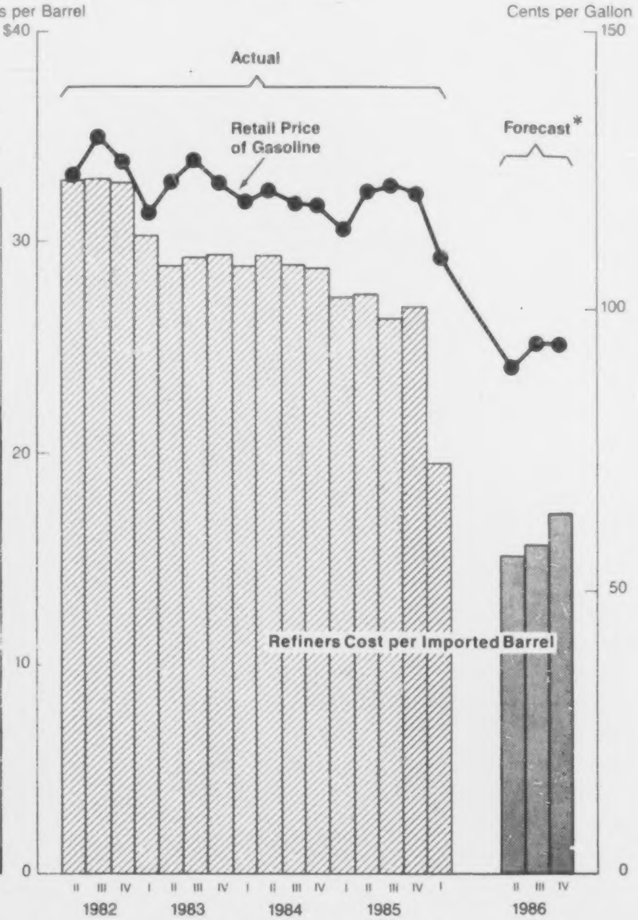
r—revised p—preliminary

* Change in Backlog = New Appropriations − (Expenditures + Cancellations and Other Adjustments)

Oil Supply



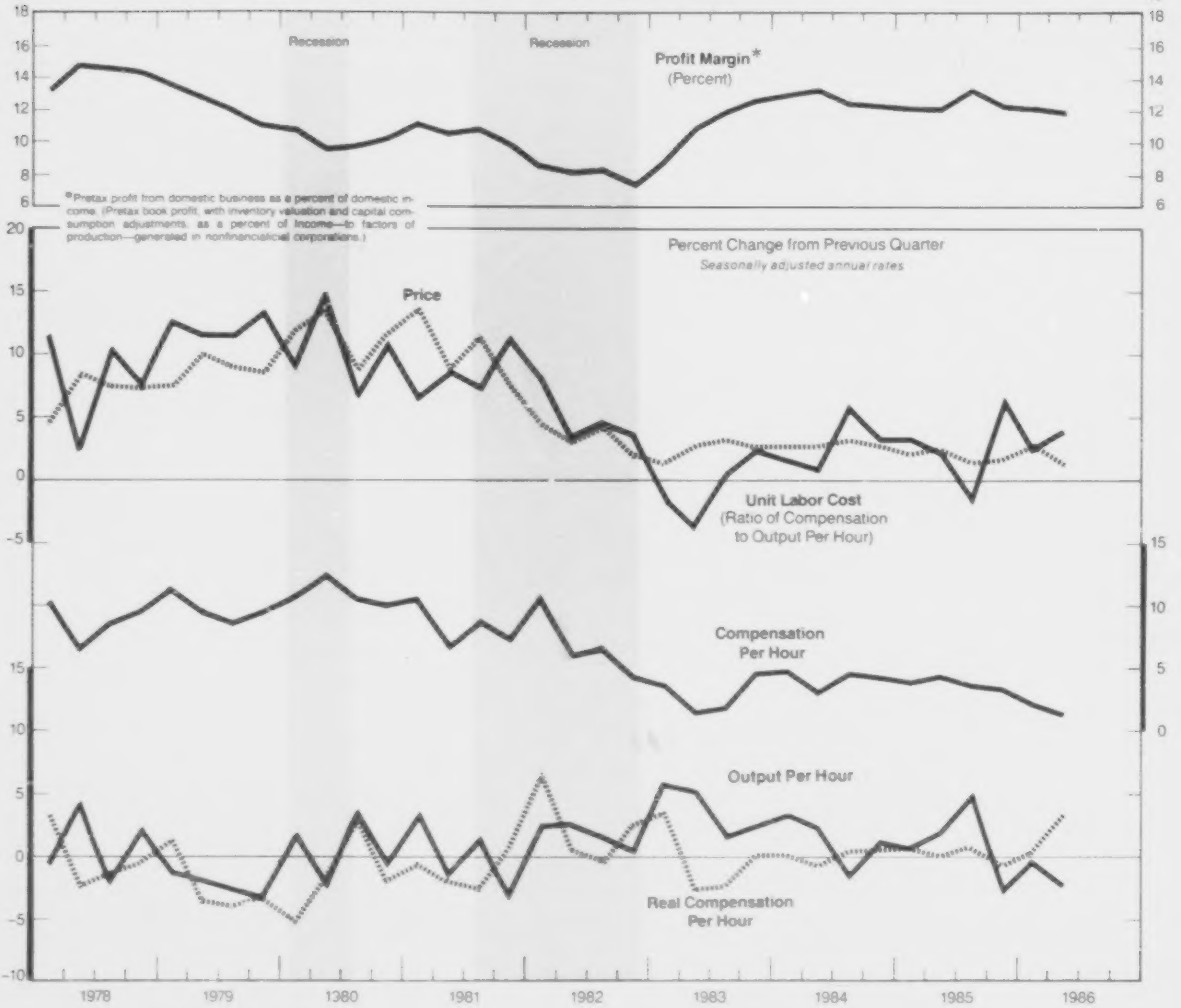
Oil Price



*Source of Forecast is The Energy Information Administration; Department of Energy

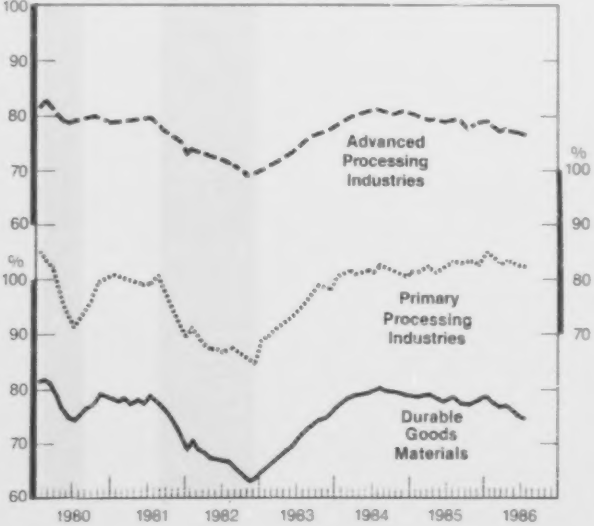
Key Determinants of Profit Margin

Nonfinancial Corporations

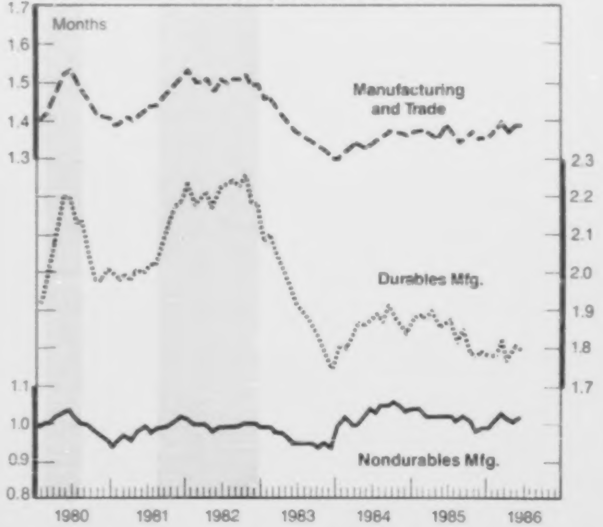


*Pretax profit from domestic business as a percent of domestic income. (Pretax book profit, with inventory valuation and capital consumption adjustments, as a percent of income—to factors of production—generated in nonfinancial corporations.)

Capacity Utilization Rates Manufacturing



Inventory-Sales Ratios



ECONOMIC FORECASTS

			U.C.L.A.[1] Business Forecasting Project		Merrill Lynch[1] Economics Inc.		E.I. duPont[1] de Nemours & Co.		Georgia State University[1]	
Date of Forecast			*Aug., 1986*		*Aug., 1986*		*Aug., 1986*		*Aug., 1986*	
			Level	*Percent Change*	*Level*	*Percent Change*	*Level*	*Percent Change*	*Level*	*Percent Change*
Gross National Product Billions of Current Dollars										
Actual	**1986**	**II**	**$4179.8**	**3.0%**	**$4179.8**	**3.0%**	**$4179.8**	**3.0%**	**$4179.8**	**3.0%**
		III	4236.5	5.5	4221.4	4.0	4229.2	4.8	4232.2	5.1
		IV	4302.3	6.4	4244.9	2.2	4283.4	5.2	4293.5	5.9
	1987	I	4377.2	7.1	4292.6	4.6	4359.3	7.3	4363.2	6.7
		II	4471.5	8.9	4350.8	5.5	4444.8	8.1	4417.6	5.1
		III	4558.8	8.0	4418.3	6.4	4529.1	7.8	4473.9	5.2
		IV	4655.5	8.8	4488.0	6.5	4608.3	7.2	4530.3	5.1
	1988	I	4760.3	9.3			4671.2	5.6	4585.4	5.0
		II	4860.8	8.7			4728.3	5.0	4638.9	4.7
		III	4943.2	7.0			4784.6	4.8		
	1986	Annual	4217.0	5.5	4198.8	5.0	4210.4	5.3	4213.7	5.4
	1987	Annual	4515.8	7.1	4387.4	4.5	4485.4	6.5	4446.3	5.5
Gross National Product Billions of Constant (1982) Dollars										
Actual	**1986**	**II**	**$3661.5**	**.6%**	**$3661.5**	**.6%**	**$3661.5**	**.6%**	**$3661.5**	**.6%**
		III	3694.3	3.6	3676.1	1.6	3684.0	2.5	3683.1	2.4
		IV	3726.5	3.5	3672.5	-.4	3715.0	3.4	3708.3	2.8
	1987	I	3762.0	3.9	3683.2	1.2	3758.0	4.7	3734.8	2.9
		II	3817.7	6.1	3701.9	2.0	3799.0	4.4	3744.7	1.1
		III	3860.0	4.5	3726.4	2.7	3835.0	3.8	3757.7	1.4
		IV	3907.4	5.0	3752.5	2.8	3866.0	3.3	3765.7	.9
	1988	I	3949.7	4.4			3883.0	1.8	3770.2	.5
		II	3990.6	4.2			3898.0	1.6	3774.6	.5
		III	4011.2	2.1			3909.0	1.1		
	1986	Annual	3684.6	2.8	3666.5	2.3	3679.1	2.6	3677.2	2.6
	1987	Annual	3836.8	4.1	3716.0	1.4	3814.5	3.7	3750.7	2.0
Gross National Product deflator Index, 1982 = 100										
Actual	**1986**	**II**	**114.2**	**2.4%**	**114.2**	**2.4%**	**114.2**	**2.4%**	**114.2**	**2.4%**
		III	114.7	1.8	114.8	2.4	114.8	2.3	114.9	2.7
		IV	115.5	2.7	115.6	2.6	115.3	1.8	115.8	3.1
	1987	I	116.4	3.2	116.5	3.4	116.0	2.5	116.8	3.7
		II	117.1	2.7	117.5	3.4	117.0	3.5	118.0	4.0
		III	118.1	3.4	118.6	3.6	118.1	3.8	119.1	3.7
		IV	119.1	3.6	119.6	3.5	119.2	3.8	120.3	4.2
	1988	I	120.5	4.7			120.3	3.7	121.6	4.5
		II	121.8	4.3			121.3	3.4	122.9	4.3
		III	123.2	4.8			122.4	3.7		
	1986	Annual	114.4	2.6	114.5	2.7	114.4	2.6	114.6	2.8
	1987	Annual	117.7	2.8	118.1	3.1	117.6	2.7	118.5	3.5
Unemployment Rate										
Actual	**1986**	**II**		**7.2%**		**7.2%**		**7.2%**		**7.2%**
		III		6.9		7.1		6.8		6.9
		IV		6.9		7.4		6.7		7.1
	1987	I		6.8		7.5		6.6		7.0
		II		6.5		7.5		6.6		7.0
		III		6.3		7.5		6.6		7.0
		IV		6.1		7.4		6.7		7.0
	1988	I		5.9				6.9		7.1
		II		5.6				7.0		7.1
		III		5.5				7.1		
	1986	Annual		7.0		7.2		6.9		7.1
	1987	Annual		6.4		7.5		6.6		7.0

Notes: Percentage changes represent compound annual rates of change from preceding period. Quarterly data are seasonally adjusted.

[1] Based on revised second quarter data.

ECONOMIC FORECASTS (continued)

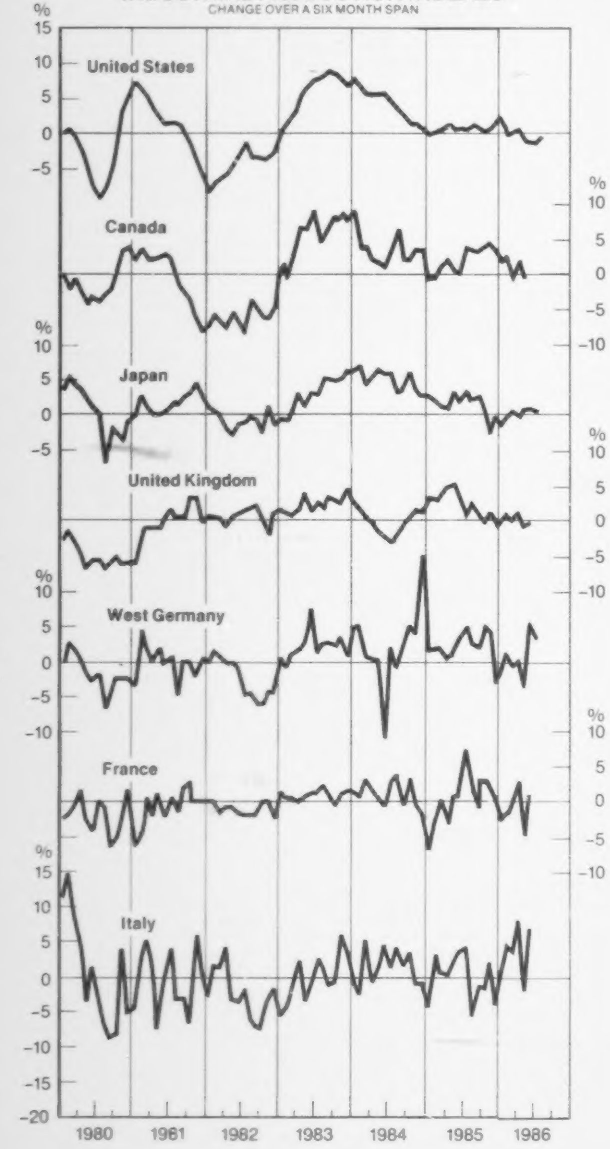
The Conference Board[1]		Chase Econometric[1] Associates, Inc.		Data Resources Inc.[1]		Wharton E.F.A. Inc.[1]				
Aug., 1986		*Aug., 1986*		*Aug., 1986*		*Aug., 1986*		*Date of Forecast*		
Level	*Percent Change*	*Level*	*Percent Change*	*Level*	*Percent Change*	*Level*	*Percent Change*			
								Gross National Product Billions of Current Dollars		
$4179.8	**3.0%**	**$4179.8**	**3.0%**	**$4179.8**	**3.0%**	**$4179.8**	**3.0%**	**II**	**1986**	**Actual**
4235.0	5.4	4229.7	4.9	4220.9	4.0	4230.3	4.9	III		
4290.0	5.3	4291.5	6.0	4272.3	5.0	4302.7	7.0	IV		
4339.0	4.6	4355.6	6.1	4324.8	5.0	4385.3	7.9	I	1987	
4398.0	5.6	4413.6	5.4	4393.7	6.5	4476.6	8.6	II		
4464.0	6.1	4486.7	6.8	4457.1	5.9	4560.7	7.7	III		
4539.0	6.9	4563.9	7.1	4530.5	6.8	4641.2	7.2	IV		
		4645.0	7.3	4611.6	7.4	4716.6	6.7	I	1988	
		4723.5	6.9	4691.1	7.1	4803.6	7.6	II		
		4809.7	7.5	4754.6	5.5	4890.0	7.4	III		
4213.5	5.4	4212.6	5.4	4205.6	5.2	4215.5	5.4	Annual	1986	
4435.0	5.3	4455.0	5.8	4426.5	5.3	4516.0	7.1	Annual	1987	
								Gross National Product Billions of Constant (1982) Dollars		
$3661.5	**.6%**	**$3661.5**	**.6%**	**$3661.5**	**.6%**	**$3661.5**	**.6%**	**II**	**1986**	**Actual**
3682.5	2.3	3686.8	2.8	3680.8	2.1	3683.1	2.4	III		
3701.8	2.1	3713.6	2.9	3702.7	2.4	3717.3	3.8	IV		
3714.8	1.4	3739.8	2.9	3719.9	1.9	3757.8	4.4	I	1987	
3736.2	2.3	3760.2	2.2	3756.8	4.0	3801.8	4.8	II		
3760.5	2.6	3786.7	2.8	3785.5	3.1	3836.3	3.7	III		
3789.6	3.1	3812.4	2.7	3821.6	3.9	3862.7	2.8	IV		
		3841.1	3.0	3851.0	3.1	3884.2	2.2	I	1988	
		3859.1	1.9	3883.6	3.4	3913.4	3.0	II		
		3889.2	3.2	3898.2	1.5	3938.4	2.6	III		
3675.4	2.5	3679.5	2.6	3675.2	2.5	3679.5	2.6	Annual	1986	
3750.3	2.0	3774.8	2.8	3771.0	2.6	3814.7	3.7	Annual	1987	
								Gross National Product deflator Index, 1982 = 100		
114.2	**2.4%**	**114.2**	**2.4%**	**114.2**	**2.4%**	**114.2**	**2.4%**	**II**	**1986**	**Actual**
115.0	3.0	114.7	2.0	114.7	1.8	114.9	2.5	III		
115.9	3.1	115.6	2.9	115.4	2.5	115.7	3.1	IV		
116.8	3.2	116.5	3.2	116.3	3.1	116.7	3.3	I	1987	
117.7	3.2	117.4	3.2	117.0	2.4	117.7	3.7	II		
118.7	3.4	118.5	3.8	117.7	2.7	118.9	3.9	III		
119.8	3.6	119.7	4.2	118.5	2.8	120.2	4.3	IV		
		120.9	4.1	119.8	4.1	121.4	4.3	I	1988	
		122.4	5.0	120.8	3.5	122.7	4.4	II		
		123.7	4.2	122.0	4.0	124.2	4.7	III		
114.6	2.8	114.5	2.7	114.4	2.6	114.6	2.7	Annual	1986	
118.2	3.2	118.0	3.1	117.4	2.6	118.4	3.3	Annual	1987	
								Unemployment Rate		
	7.2%		**7.2%**		**7.2%**		**7.2%**	**II**	**1986**	**Actual**
	7.0		7.0		7.0		7.1	III		
	7.1		7.0		7.0		7.0	IV		
	7.4		7.0		7.0		7.0	I	1987	
	7.5		7.0		7.0		6.8	II		
	7.5		7.0		6.9		6.6	III		
	7.4		6.9		6.8		6.5	IV		
			6.9		6.7		6.6	I	1988	
			6.9		6.6		6.7	II		
			6.9		6.5		6.7	III		
	7.1		7.1		7.1		7.1	Annual	1986	
	7.5		7.0		6.9		6.7	Annual	1987	

Please Note: In the interest of speeding the data contained in this publication to you, these series are available on-line through The Conference Board Data Base. For more information, contact Linette Stein Waters or Ken Goldstein at (212) 759-0900.

SELECTED INTERNATIONAL COMPARISONS

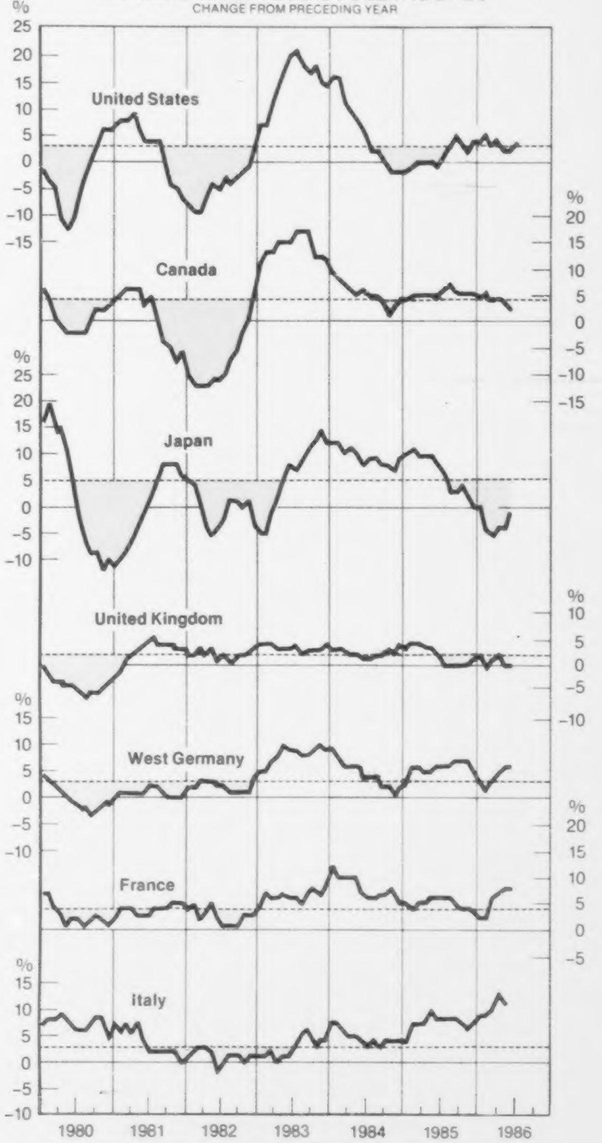
INDUSTRIAL PRODUCTION INDEXES

CHANGE OVER A SIX MONTH SPAN



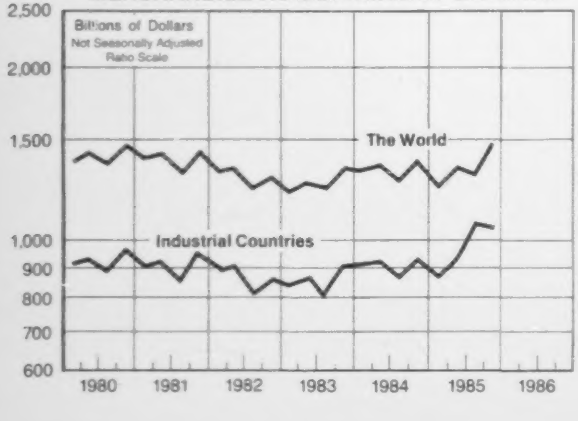
LEADING BUSINESS CYCLE INDEXES

CHANGE FROM PRECEDING YEAR

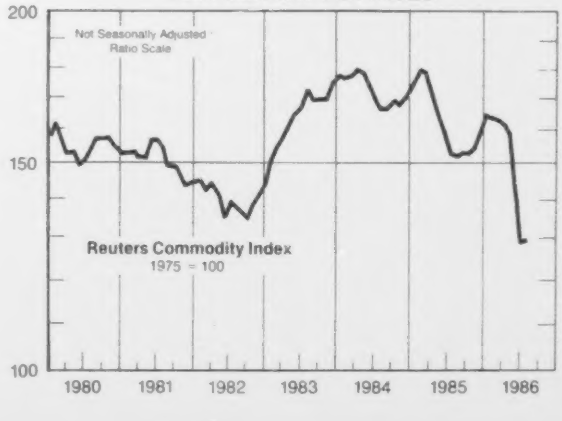


Source: Center for International Business Cycle Research, Columbia University

MERCHANDISE TRADE: VALUE OF EXPORTS

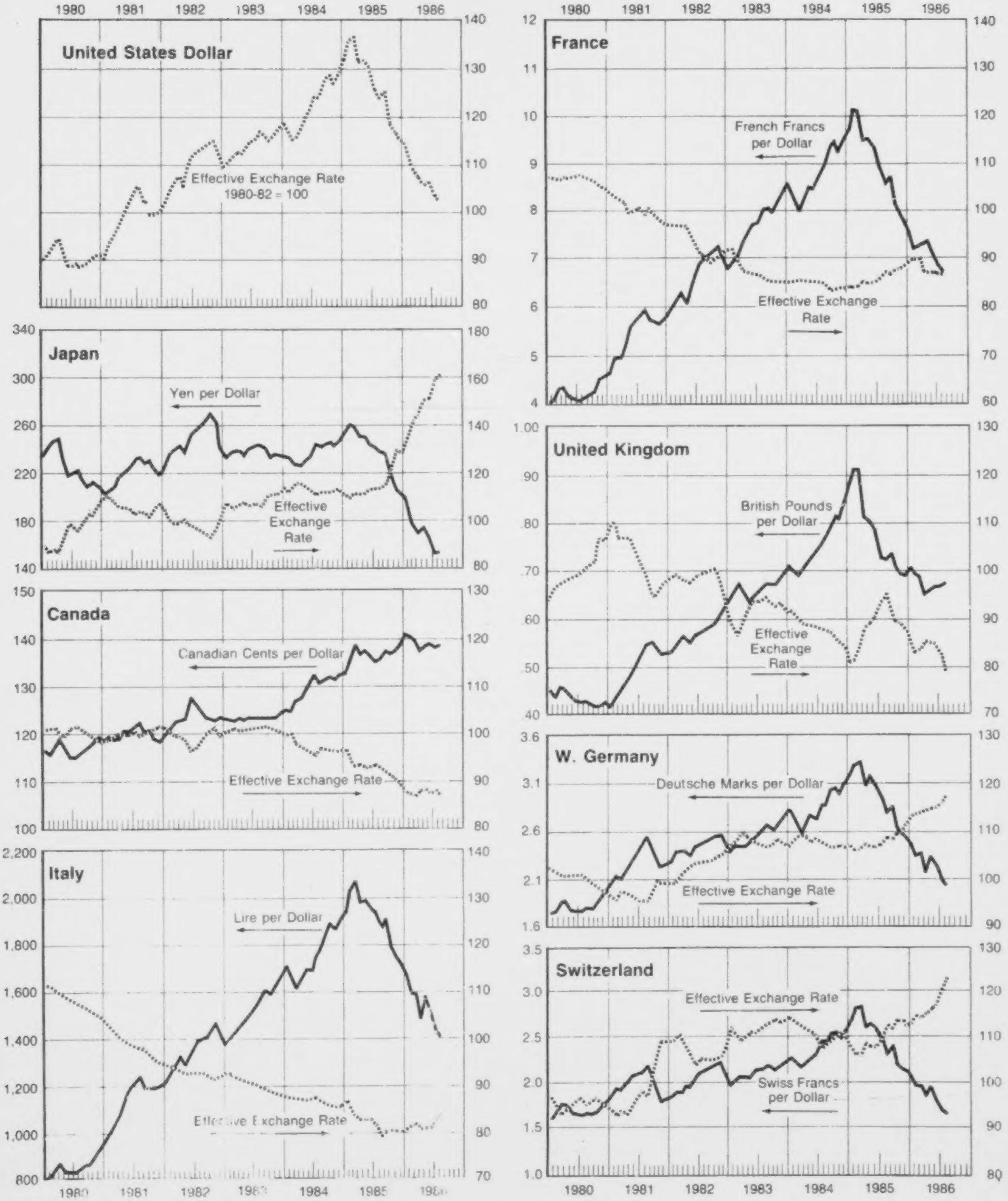


RAW MATERIALS PRICES



Foreign Exchange Rates

Indexes: 1980-82 = 100



Note: Nominal Effective Exchange Rates: Index numbers 1980-82 = 100. Each index shows a currency's trade- using averages weighted appreciation or depreciation measured against fifteen other major currencies of daily noon spot exchange rates in New York and bilateral trade weights based on 1980 trade in manufactures.

Source: Morgan Guaranty Trust Co.

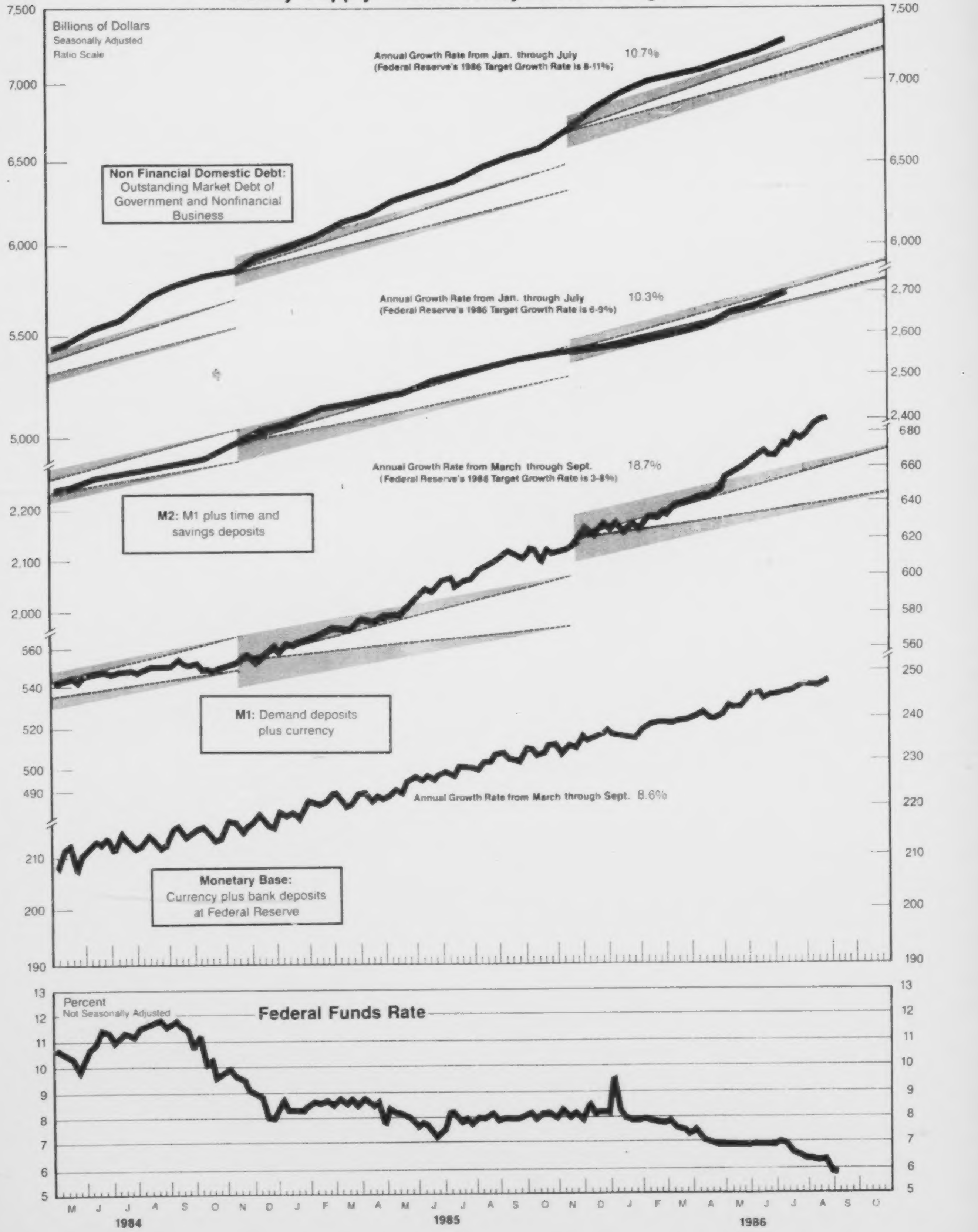
PERSPECTIVE ON THE FEDERAL BUDGET
(Billions of Current Dollars)

	Fiscal 1986		Fiscal 1987		Fiscal 1988	
	Administration's Latest Estimate	Congress's Latest Estimate	Administration's Latest Estimate	Congress's Latest Estimte	Administration's Latest Estimate	Congress's Latest Estimate
	(2/5/86)	(2/26/86)	(2/5/86)	(2/26/86)	(2/5/86)	(2/26/86)
Receipts	**$ 777.1**	**$ 778.7**	**$ 850.4**	**$ 849.9**	**$ 933.2**	**$ 928.1**
Outlays	**979.9**	**983.5**	**994.0**	**1,009.7**	**1,026.8**	**1,060.3**
Deficit	**-202.8**	**-204.7**	**-143.6**	**-159.7**	**- 93.6**	**-132.3**
Receipts by source	**$777.1**	**$778.7**	**$850.4**	**$849.9**	**$933.2**	**$928.1**
Individual income	353.7	354.2	386.0	385.0	425.9	422.0
Social security	280.4	280.8	302.8	302.3	335.0	333.5
Corporate income	70.9	72.2	86.7	89.4	101.2	101.2
Other receipts	72.1	71.5	74.9	73.2	71.1	71.4
Outlays by function	**$979.9**	**$983.5**	**$994.0**	**$1,009.7**	**$1,026.8**	**$1,060.3**
National defense	265.8	269.5	282.2	296.7	299.1	316.6
Social security	268.8	267.9	282.4	282.2	302.1	303.1
Income security	118.1	119.6	118.4	119.5	123.1	123.7
Health	35.7	35.6	35.0	35.1	36.7	36.8
Veterans benefits	26.6	26.7	26.4	26.5	26.9	26.9
Education & manpower	30.7	30.8	27.4	27.3	26.3	26.5
Transportation	27.1	27.5	25.5	25.6	24.1	24.3
Agriculture	25.9	30.4	19.5	21.9	19.7	23.5
International affairs	17.1	17.1	18.6	16.5	18.3	17.5
Natural resources	12.9	12.8	12.0	12.0	11.8	11.9
General science	8.9	8.9	9.2	9.1	9.3	9.4
Justice	6.8	6.8	6.9	7.1	7.0	7.2
General government	6.3	6.0	6.1	6.2	5.7	6.4
Community development	7.9	7.9	6.5	6.3	5.5	5.4
Commerce, Housing credit	3.8	4.2	1.4	3.1	3.8	4.3
Energy	4.4	4.2	4.0	4.4	4.5	4.1
Revenue sharing	6.2	5.8	1.7	1.7	1.8	1.8
Interest	142.7	139.8	148.0	144.7	145.1	152.7
Allowances	0.0	0.0	0.7	0.7	2.3	2.3
Offsetting receipts	-35.2	-37.7	-38.1	-36.8	-46.4	-44.2

ECONOMIC ASSUMPTIONS OF THE BUDGET

GNP						
Current Dollar	**$4,274.0**	**$4,269.0**	**$4,629.0**	**$4,583.0**	**$4,995.0**	**$4,930.0**
Constant (1982) Dollar	**3,695.0**	**3,688.0**	**3,842.0**	**3,803.0**	**3,996.0**	**3,928.0**
Percent change in						
Current dollar	7.0%	6.9%	8.3%	7.3%	7.9%	7.6%
Constant (1982) dollar	3.4	3.2	4.0	3.1	4.0	3.3
Implicit price index	3.5	3.6	4.2	4.1	3.7	4.1
Consumer price index	3.5	3.4	4.1	4.2	3.7	4.4
91-Day T bill rate	7.3	6.8	6.5	6.7	5.6	6.4
Unemployment rate	6.7	6.7	6.5	6.7	6.3	6.5

Money Supply and Monetary Growth Targets



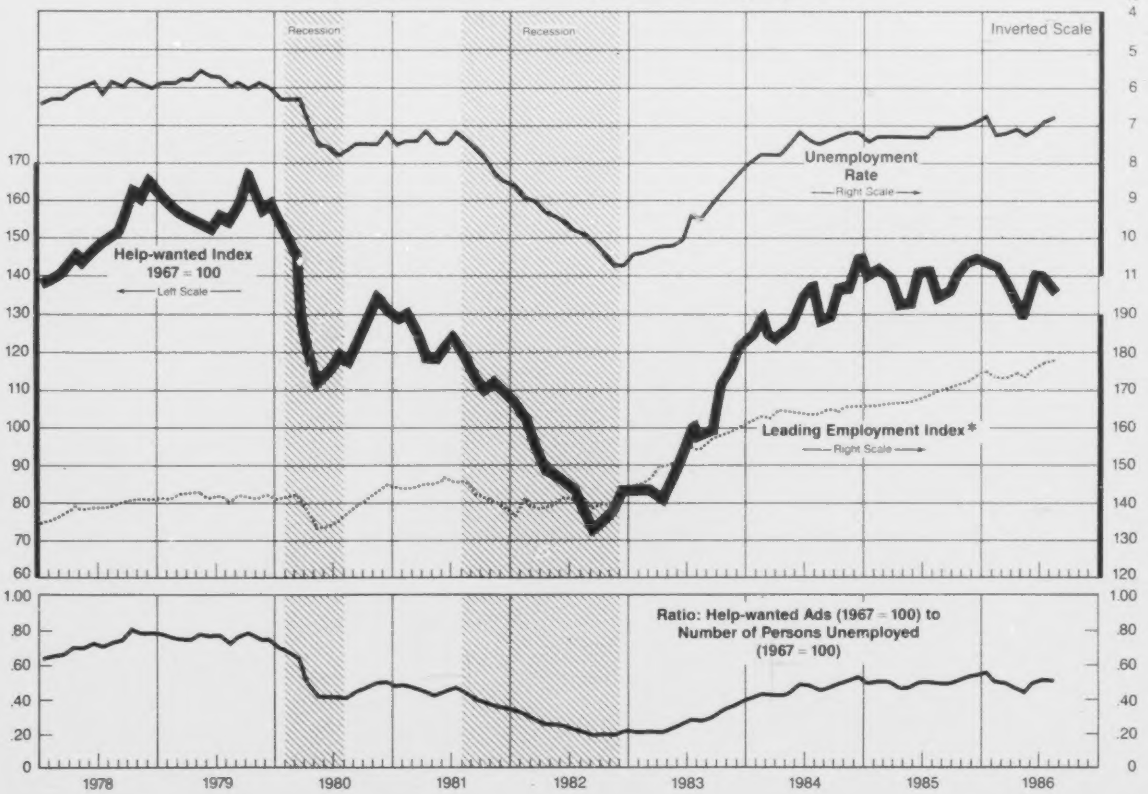
CONFERENCE BOARD HELP-WANTED ADVERTISING INDEXES

Seasonally Adjusted Indexes, 1967 = 100

	1986			1985
Locality	**July**	**June**	**May**	**July**
National Index	140	141	128	141
New England	169	171	157	156
Boston	172	178	164	167
Hartford	178	171	164	158
Providence	153	148	125	116
Middle Atlantic	81	80r	71	71
Albany	187	192r	182	176
Allentown	279	249	197	213
New York	62	62	57	54
Philadelphia	74	72	59	64
Pittsburgh	86	83	75	75
Rochester	84	86	77	88
Syracuse	N.A.	N.A.	N.A.	127
East North Central	94	96	86	90
Chicago	103	101	89	101
Cincinnati	148	153	140	132
Cleveland	66	67	56	63
Columbus	157	163	144	131
Dayton	87	97	82	81
Detroit	61	65	64	64
Gary	124	140	125	120
Indianapolis	105	109	101	89
Milwaukee	65	57	52	59
Toledo	113	122	114	112
West North Central	95	94	82	93
Kansas City	172	169	129	164
Minneapolis	72	65	63	71
Omaha	116	121	108	112
St. Louis	65	70	65	67
South Atlantic	194	203r	177	183
Atlanta	274	289	251	285
Baltimore	233	249r	195	221
Charlotte	161	159	145	140
Jacksonville	228	221	217	210
Miami	87	87	77	72
Richmond	143	149	137	122
Washington, D.C.	182	192	167	167
East South Central	163	152	143	154
Birmingham	164	161	152	156
Knoxville	206	203	212	194
Louisville	92	90	80	95
Memphis	128	137	126	110
Nashville	260	206	190	250
West South Central	170	175	163	247
Dallas	186	196	187	340
Houston	219	217	200	299
New Orleans	107	109	95	111
Oklahoma City	105	117	108	145
San Antonio	159	166	167	206
Tulsa	126	130	117	153
Mountain	278	292r	269	330
Denver	187	172	157	223
Phoenix	383	439	410	461
Salt Lake City	304	319r	285	353
Pacific*	203	203	192	198
Los Angeles	140	141	136	144
Sacramento	400	378	279	383
San Bernadino	242	228	217	217
San Diego	461	464	457	431
San Francisco	208	212	202	203
Seattle	198	198	189	182
Percentage of papers with rising volume	39	96	27	39
Unemployment rate	6.9	7.1	7.3	7.3

Note: For definitions and method, see Noreen Preston, *The Help-wanted Index* (New York: The Conference Board, 1977).
r—revised N.A.—not available

Help-wanted Advertising and Unemployment



* Source: Center for International Business Cycle Research, Columbia University

CONFERENCE BOARD INDEXES OF CONSUMER CONFIDENCE AND BUYING PLANS

Indexes, 1985 = 100
(Seasonally Adjusted)

Consumer Confidence Index

	Jan.	Feb.	Mar.	Apr.	May	June	July	Aug.	Sept.	Oct.	Nov.	Dec.
1983	59.8	70.1	81.2	81.8	85.9	87.0	87.8	89.9	92.2	93.5	96.7	104.9
1984	105.0	102.0	102.9	103.8	102.0	103.7	98.5	101.6	102.4	101.7	106.1	98.7
1985	103.0	104.0	98.0	101.0	96.6	100.0	101.2	99.6	98.9	99.3	98.7	99.8
1986	97.8	96.9	96.9	99.0	97.2	97.2	95.5r	90.2p				

Buying Plans Index

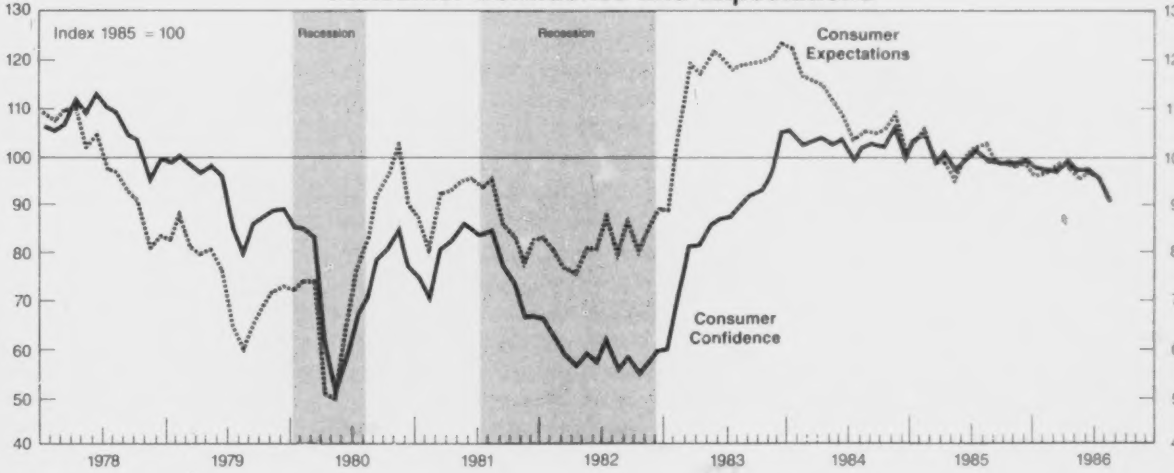
	Jan.	Feb.	Mar.	Apr.	May	June	July	Aug.	Sept.	Oct.	Nov.	Dec.
1983	71.7	71.1	77.5	85.6	84.7	89.0	94.4	85.0	101.6	102.2	99.2	99.3
1984	99.2	98.0	90.7	98.6	102.5	104.9	89.5	95.5	83.5	92.7	96.0	91.9
1985	100.7	98.7	98.4	97.4	89.5	96.3	93.1	98.4	107.3	110.3	101.2	108.8
1986	105.6	103.9	101.9	135.3	108.9	114.4	103.7r	109.7p				

Confidence Index measures consumer optimism in appraising economic conditions. Buying plans Index is based on intentions to purchase cars, homes, appliances. Expectations Index, (charted below), measures consumer attitudes with regard to business conditions and employment and income levels six months hence. Data prior to May, 1981 based on survey of families. Data after May, 1981 are based on survey of households. A description of these indexes appears in The Conference Board RECORD, September, 1973.

Surveys are conducted by National Family Opinion, Inc.

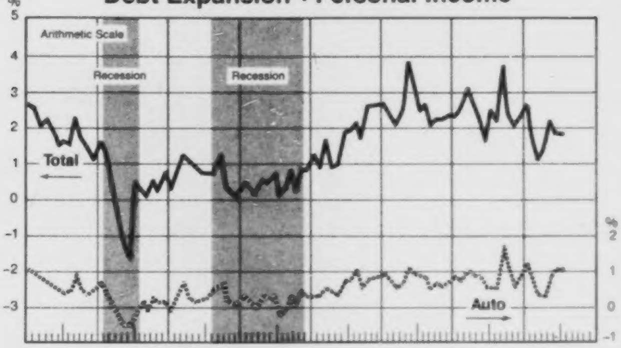
p—preliminary r—revised

Consumer Confidence and Expectations

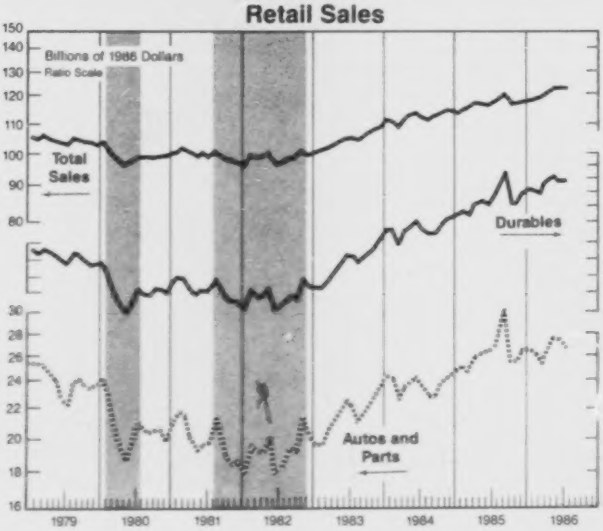


ATTENTION PC USERS: All data in this publication plus extensive government statistics are available on cost-effective diskettes. For more information, contact Linette Waters at (212) 759-0900.

Consumer Installment Debt Expansion ÷ Personal Income



Retail Sales



CONFERENCE BOARD ESTIMATES OF NEW AUTO SALES, BY 10-DAY PERIODS

Millions, Seasonally Adjusted at Annual Rate

Periods		1983	1984	1985	1986
January:	1-10	6.17	8.16	8.69	7.97
	11-20	6.20	7.84	8.15	9.63
	21-31	5.60	9.15	8.62	8.40
February:	1-10	5.86	7.79	7.97	8.32
	11-20	5.30	9.17	8.04	8.93
	21-28(29)	6.07	7.60	8.58	6.38
March:	1-10	5.61	7.35	8.14	7.81
	11-20	6.10	8.13	8.44	6.99
	21-31	6.19	7.35	7.94	6.24
April:	1-10	6.69	8.88	8.16	8.39
	11-20	6.52	7.96	9.12	6.97
	21-30	6.35	8.60	8.46	7.96
May:	1-10	6.67	8.75	7.45	8.13
	11-20	6.30	7.74	8.69	8.49
	21-31	6.97	8.43	7.70	6.86
June:	1-10	7.23	7.22	8.21	8.27
	11-20	7.34	8.25	8.02	8.38
	21-30	7.28	8.10	7.16	8.71
July:	1-10	7.25	9.51	7.89	8.59
	11-20	7.36	8.32	7.47	6.89
	21-31	7.43	8.59	7.53	7.92
August:	1-10	7.39	7.33	6.47	6.95
	11-20	6.11	8.07	8.39	8.28
	21-31	6.65	7.43	13.29	11.70
September:	1-10	6.26	8.13	12.76	17.47
	11-20	7.21	8.52	10.63	
	21-30	6.55	6.03	9.49	
October:	1-10	7.52	7.83	7.44	
	11-20	7.56	7.07	6.27	
	21-31	7.45	7.70	6.75	
November:	1-10	6.96	6.60	6.04	
	11-20	6.55	8.44	6.66	
	21-30	7.62	6.57	6.70	
December:	1-10	7.30	8.75	7.72	
	11-20	8.09	7.96	6.74	
	21-31	8.48	8.19	10.38	

Note: Dealer sales exclude exports and foreign-model cars (unless manufactured domestically.) Data from Ward's Automotive Reports are seasonally adjusted by The Conference Board. Prior data available upon request.

Domestic-Model Car Sales